

The National Insurance Board

20
ANNUAL
REPORT



DELIVERING
SERVICE
EXCELLENCE



The National Insurance Board MISSION

To effectively and efficiently deliver social insurance products and services that satisfy the needs of the population

VISION

To become the leading provider of Social Insurance within the Caribbean region

20

ANNUAL
REPORT



DELIVERING
SERVICE
EXCELLENCE



The National Insurance Board

CORPORATE DATA

Corporate Data

Head Office
NIB House
2A Cipriani Boulevard, Port of Spain
Trinidad and Tobago, W.I.
Tel: (868) 625-2171-8 Fax: (868) 627-1787
NIB Hotline: 663-4NIS (4647)
Email: nib@nibtt.co.tt
Website: www.nibtt.co.tt

Bankers

First Citizens Bank Limited
9 Queen's Park West
Port of Spain
Trinidad and Tobago, W.I.

Republic Bank Limited
9-17 Park Street
Port of Spain
Trinidad and Tobago, W.I.

Auditors

Ernst and Young
P.O. Box 158
5-7 Sweet Briar Road, St. Clair
Port of Spain
Trinidad and Tobago, W.I.

Attorneys

Alexander-Jeremie and Company
81 St. Vincent Street,
Port of Spain
Trinidad and Tobago, W.I.

M.G. Daly and Partners
115a Abercromby Street
Port of Spain
Trinidad and Tobago, W.I.



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DELIVERING SERVICE EXCELLENCE



The National Insurance Board CHAIRMAN'S REVIEW

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Mr. Calder Hart *Chairman, NIBTT*

*“We believe that customers
should always get good value”*



The National Insurance Board

CHAIRMAN'S REVIEW

CREATING EXCELLENCE

I am pleased to report that the National Insurance Board of Trinidad and Tobago (NIBTT) registered another year of remarkable achievement and recorded the best year ever in terms of service to our customers.

For the first time 127,832 beneficiaries of the National Insurance System (NIS) collected more than one billion dollars in benefits. This is indeed a significant achievement for any organisation but more so, for the NIBTT, an organisation mandated to provide social insurance benefits to the employed population of Trinidad and Tobago and their dependents.

Once again, our contribution income crossed the billion-dollar mark and through sound management, the NIBTT contained administrative expenses at 7.0% of contribution income despite operating in an inflationary environment.

Within recent times, issues that affect social insurance systems worldwide have emerged as critical items on the economic and social agenda. Rising longevity and falling birth rates have been two of the forces affecting social insurance systems. In this regard, the issue of financial sustainability of social security systems has taken centre stage in many countries.

In Trinidad and Tobago, the strong financial performance of the NIBTT over the years has placed our social security system in a strong position in terms of the long-term viability of the fund and security of the insured.

FINANCIAL PERFORMANCE

This year, the NIBTT achieved an overall investment yield of 7%, a strong performance given the fact that high liquidity conditions, resultant soft interest rates, downward valuation of equity holdings and limited investment opportunities on the domestic capital market continued to characterize the financial landscape for a major portion of the financial year.

Economic growth in Trinidad and Tobago continued in financial year 2006 and real GDP stood at \$86.9B. Such robust economic expansion was driven by high global energy prices and by the increased production and monetisation of energy and energy-related products such as natural gas and methanol.

The marked expansion of economic activity fuelled higher levels of employment especially in the construction and manufacturing sectors. This positive trend resulted in an increase in the levels of employment and, by extension, has generated contribution income amounting to \$1.4B in the financial year ended June 30th 2006.

At the end of the year, total funds under management stood at \$13.1B while total assets increased to \$14.0B – a secure foundation on which we will continue to build by maximising the return on investments to ensure value to our customers.

STRATEGIC DIRECTION

Creating Service Excellence

We believe that customers should always get good value. We are committed to creating a culture of service excellence that will allow all of our customers to have an efficient, productive, and enjoyable business experience with us. In the new year, we will work towards making business with us easier. To this end, we will be implementing a number of initiatives focused on improving the level of care extended to our customers.

Customer Care

Customer Care is the overarching principle that we will employ to meet and exceed the expectations of our customers through sound decision-making, enhanced products and improved work processes.

We will create for ourselves a unique customer service philosophy that drives every action and activity that we undertake as an organisation.



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CHAIRMAN'S REVIEW

The Board's customers can look forward to a re-energized approach to customer care in the future.

7th Actuarial Review

The Seventh Actuarial Review is more than a statutory requirement, it is critical to ensuring sustained value to contributors.

Significant work was completed on the 7th actuarial review by year end. Consultations were held with the insured population and other key stakeholders to source valuable input that will be used to shape the future of the social security system. The seventh review is being undertaken in two phases.

In the first phase, the Actuary will make recommendations for ensuring the continued financial viability of the NIS while focusing on the efficiency and effectiveness of the system and improvement of the benefits. Phase two will provide the NIBTT with recommendations for expansion of coverage to the self-employed sector of the labour force.

The results of the Seventh Actuarial Review will allow us to provide the Government with sound advice on the financial health of the fund and its ability to support higher levels of benefit over the long term.

VISION 2010

In the coming financial year, we will be embarking on the preparation of our three-year Corporate Strategic Plan which will guide our operations to year 2010.

Having reviewed the performance indicators for the existing planning period, I am pleased to report that this Organization has made significant strides in improving performance and transforming itself into a customer driven Organization.

Building on the gains made over the three-years of Vision 2007, we will adopt a performance driven

strategy that speaks to, among other things, enhancing the products provided under the NIS; providing excellent service to all those who do business with the NIBTT; expanding coverage to the self employed and providing new services that are related to our core functions.

FINANCIAL INITIATIVES

An investment strategy that will promote fund growth and long term income generation is essential if the cost of future benefits is to be contained. In recognition of this NIBTT's strategy is to diversify the investment portfolio. The NIBTT will vigorously pursue the acquisition and development of real estate in Trinidad and Tobago. This initiative commenced with the RiverWoods Housing Development in D'abadie, Arima.

Other initiatives contemplated include the development of lands owned by NIBTT at Queen's Park East, Port of Spain, and the acquisition and development of lands in Chaguanas. These acquisitions are all geared toward the generation of income and asset growth to help meet the long-term benefit liabilities of the National Insurance Fund.

Effective July 2006 the NIBTT will assume direct responsibility for the management of 1,541 mortgage accounts previously managed by an agent. This initiative will result in a projected cost savings of \$2.57M per year.

We are also looking forward to making investments in the gas and energy related industries that are expected to come on stream shortly. This initiative however requires amendment of the legislation, which is being pursued.

OTHER INITIATIVES

Our initiatives are not limited to the NIS alone. The NIBTT is an integral part of the social security fabric of Trinidad and Tobago and as such, we continue to



The National Insurance Board

CHAIRMAN'S REVIEW

be involved in a number of Government initiatives including pension reform and the proposed National Health Insurance System for Trinidad and Tobago.

As we continue to unlock our potential, I firmly believe that the NIBTT can become not only the leading provider of social insurance in the region, but also a model Organization that is recognized as such worldwide.

APPRECIATION

I take this opportunity to thank The Honourable Patrick Manning, Prime Minister and Minister of Finance, and Senator, the Honourable, Conrad Enill, Minister in the Ministry of Finance, for their invaluable support to the board over the last financial year.

To my fellow Board members, I record my heartfelt appreciation for your commitment to ensuring NIBTT's strong performance.

On behalf of the Board of Directors, I thank Mr. Jeffrey McFarlane, the Executive Director, and his management team for another outstanding year.

I thank the staff for their dedication and service to the people of Trinidad and Tobago. Without you the NIBTT would not have registered such excellent performance benchmarks in this financial year.

To all our customers, on behalf of the National Insurance Board of Trinidad and Tobago, I give the assurance that we will fulfil our obligations to you and your loved ones.

As we look forward to a brilliant future, I assure the citizens of Trinidad and Tobago of the full commitment of the NIBTT towards ensuring that your NIS remains the social insurance provider of choice. I thank you for co-partnering with us in continuously energising the NIBTT.

Calder Hart
Chairman NIBTT

DELIVERING
SERVICE
EXCELLENCE



The National Insurance Board

BOARD OF DIRECTORS



(left to right)

Henry Sealy - (Government)
1516 Glencoe Heights
La Horquette Valley Rd
Glencoe

Inez Sinanan - (Government)
American Life and
General Insurance Co Ltd
Algico Plaza, 3rd Floor
91-93 St. Vincent Street
Port of Spain

Ruben Mc Sween - (Business)
Unit Trust Corporation
UTC Financial Centre
82 Independence Square
Port of Spain

Walton Hilton-Clarke - (Business)
4 Simpson Drive
Andalusia
Maraval

Joan John - (Government)
Deputy Governor, Central Bank
Central Bank Building
Independence Square
Port of Spain

Michael Annissette - (Labour)
Seamen and Waterfront
Workers Trade Union
1D Wrightson Road
Port of Spain



The National Insurance Board BOARD OF DIRECTORS



(left to right) Seeram K. Maharaj - *(Business)*
151 Calcutta Road
No.4 Freeport

Calder Hart - *(Chairman)*
c/o Home Mortgage Bank
Central Bank Building
Eric Williams Plaza,
Independence Square
Port of Spain

Alva Allen - *(Labour)*
c/o NUGFW
145-147 Henry Street
Port of Spain

Rudy Indarsingh - *(Labour)*
C/o All Trinidad Sugar and
General Workers
Trade Union
Rienzi Complex
Couva

Jeffrey McFarlane - *Executive Director (ex-officio)*

List of Alternates:

Linda Besson *(Walton Hilton-Clarke)*
Kenneth Dalip *(Seeram K. Maharaj)*
Clarence Rambharat *(Ruben Mc Sween)*
Christopher Abraham *(Alva Allen)*
Robert Guiseppi *(Michael Annissette)*
Wendy Joy Whyte *(Jai Ramkissoon)*



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Jeffrey McFarlane *Executive Director*

*“We gave ourselves the
mandate to transform the
Board into a customer
driven organization”*



The National Insurance Board EXECUTIVE DIRECTOR'S REPORT

DELIVERING SERVICE EXCELLENCE

This report is in respect of the financial year July 2005 to June 2006.

Our hallmark achievement in the financial year ended June 30th 2006, was the disbursement of one billion one million four hundred and one thousand two hundred and fifty seven dollars in benefit payments to 127,832 insured persons. Over 100,021 of these were recipients of long term benefits or pensioners – another benchmark in our operations.

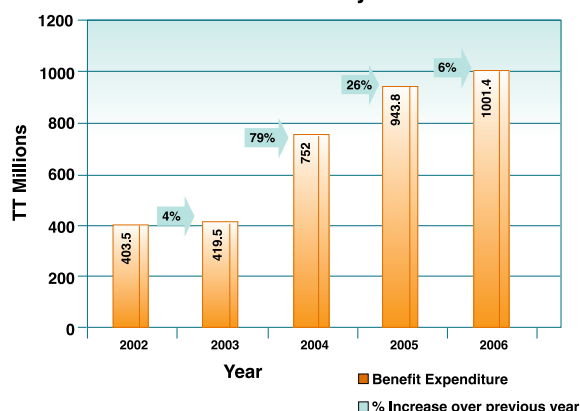
Noteworthy from among our other major achievements for the financial year ended June 30th 2006 were:

- A new billion-dollar threshold was reached as benefit payments increased by 6% from \$943.8M to exceed \$1.0B
- The number of benefit recipients grew by 5% from 121,498 to 127,832
- The number of new claims for processing increased by 6% from 38,621 in 2005 to 41,067 in 2006
- In 2006, 98% of claims were determined as compared to 95% in 2005
- By year-end, claims for processing (or pending claims) were reduced to 856, down 30% from 1,222 last year
- The number of employed persons paying contributions into the National Insurance System rose by 16% from 400,202 to 465,389 persons
- The number of registered employers increased by 8% from 15,442 to 16,618
- Contribution income again crossed the billion-dollar mark achieved last year increasing 17% from \$1.172B to \$1.373B
- Administrative Expenses declined marginally to 7.0% of contribution income

We again commend employers for their high levels of compliance with the National Insurance Act and Regulations and for taking advantage of our compliance and public education initiatives, which were designed to support their efforts.

Commendable too, was the enthusiasm with which our stakeholders responded to our requests for comments on desired changes to the NIS. These comments were forwarded to our actuaries for consideration.

**Total Benefit Expenditure
for the Five Year Period July 2002 - June 2006**



Our financial performance was reflective of the prevailing climate that existed over the course of the year. The net realized return on the investment portfolio was 7%, whilst the annual growth in total funds was 4.6% bringing NIBTT's total assets to \$14B.

These outcomes though lower than in the previous year, are commendable in light of the unfavourable financial market developments, particularly the dramatic decline in the value of equities and mutual funds that prevailed during the reporting period.

During the year, we pursued our goal of service excellence by intensifying work on corporate initiatives through a multi pronged approach. These involved:

- Improving Service Delivery
- Ensuring that eligible employees were registered
- Maximising collection of contribution income
- Commencement of the 7th Actuarial Review, including extending coverage to the self-employed as part of the terms of reference
- Pursuing new investment opportunities
- Enhancing employee growth and development
- Inter-agency initiatives

SERVICE DELIVERY

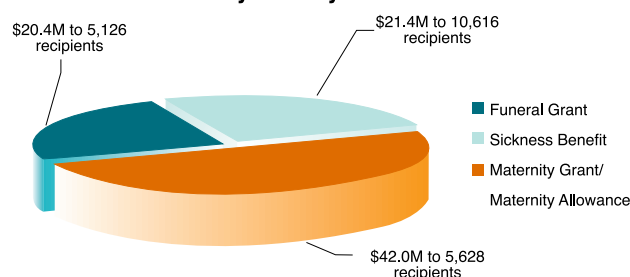
Delivering Benefits

Once again, the number of persons who received income support from NIBTT's range of benefits increased. Benefit recipients in 2006 increased 5.2% from 121,498 in 2005 to 127,832 while payments made to these persons amounted to \$1.001B representing an increase of \$57.5M or 6% over the previous year's disbursement of \$943.8M.

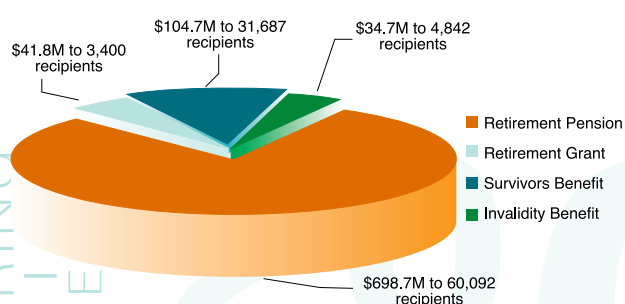
The National Insurance Board

EXECUTIVE DIRECTOR'S REPORT

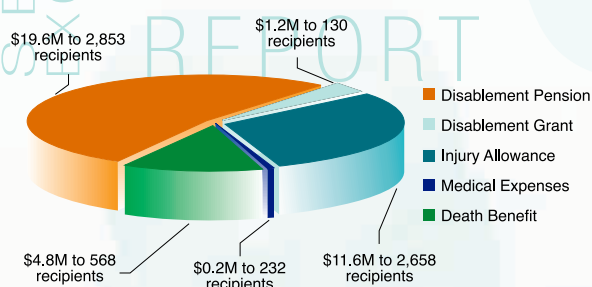
Distribution of Short Term Benefit Expenditure by Type for Financial year July 2005 - June 2006



Distribution of Long Term Benefit Expenditure by Type for Financial year July 2005 - June 2006



Distribution of Employment Injury Benefit Expenditure by Type for Financial year July 2005 - June 2006



The long-term benefits branch showed the highest growth both in the number of recipients and in the value of benefits paid. This group – the Retirement, Invalidity and Survivors benefit recipients – increased by 6.3% from 94,126 in the previous financial year to 100,021 in 2006. Payment to this group totalled \$879.8M or 88% of total benefit expenditure. The 100,021 long term benefit recipients were distributed as follows:-

Retirement Pensioners	60,092	60.0%
Survivors Benefit	31,687	31.7%
Invalidity Benefit	4,842	4.9%
Retirement Grant	3,400	3.4%

Improved Turnaround Time

During the year, we continued to streamline our service delivery processes. Our pre-pensioner Data-Clean-up project contributed to the reduced turnaround time experienced in processing Long Term Benefits.

Additionally, we initiated a pilot project to dispatch contribution statements to employees of selected employers. This resulted in the clean up of contribution records in respect of 4,255 insured persons. This will further reduce the turnaround time for processing of long-term benefits.

In Financial year 2006, 53% of Long Term Benefit claims, which did not require press publication or medical advice, were paid within a 25-day period, a 56% improvement over the previous year. We continued to pay 99% of Funeral Grant claims in one day, with 96% of these paid in one hour. In addition, we paid 75% of Short Term and Employment Injury benefits, not requiring medical advice, in 15 days.

At the close of the financial year, 39,785 new claims were paid; another 734 were disallowed; and 856 remained for processing. On a more sobering note however, the NIBTT has observed a pattern of action that may well be directed at causing persons who would not otherwise be eligible, to qualify for benefits under the NIS. This is reflected in the submission of employment and other records that appear to be contrived. These records will be investigated to determine what, if any, further action is required.

Registering Employees

The number of active registered employees in financial year 2006 was 465,389. This represented a 16.3% increase over last year's active registered employee population of 400,202. This increase can be attributed to the growth in the economy, heightened compliance activity, our public education activities and the provision of benefits that are of value to customers.

Overall, we were able to issue 92% of the required National Insurance (NI) numbers within 7 days of receipt of the application for registration.

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Registering Employers

During this financial year, 99% of employers' certificates were issued within 7 days of the application being made.

We received 2,228 applications, a decrease of 2.3% compared with the 2,281 submitted in 2005. Employers who were not previously registered accounted for 99% of these applications. The year ended with an active employer population of 16,618, an increase of 1,176 or 8% over last year's figure of 15,442.

Collection of Contribution Income

Employers' compliance with the requirements of the National Insurance Act and Regulations was commendable. During the past year, the ratio of contribution arrears to contribution income was reduced to less than half, from 3% in 2005 to 1.4% in 2006.

Compliance audits are even more focused and timely. This year 7,066 employers were surveyed, compared to 5,844 last year.

Recovery action also increased, going up 53% from financial year 2005 as the pay records of 52 delinquent employers were seized. Their debt totalled \$5.7M, of which \$1.8M was recovered by year's end. Legal action has also been instituted against 6 employers to recover a further \$1.9M owed.

THE SEVENTH ACTUARIAL REVIEW

Apart from paying benefits promptly and accurately to claimants, improving the value of benefits is a key goal given the potential for erosion of benefit value over time because of inflation.

The National Insurance Act requires that NIBTT undertake an actuarial review of the NIS no later than at five-year intervals. These reviews and the action taken based on the recommendations of the Actuary, seek to ensure that the contributions paid and benefits received are relevant, whilst ensuring the long-term financial and economic viability of the System.

We believe that our customers and other stakeholders can make significant inputs to the improvement of the NIS. We therefore took time to engage the

PERFORMANCE INDICATORS	2005	2006	% CHANGE
Benefit Recipients	121,498	127,832	5.2
Benefit payments	\$943.8M	\$1,001.4M	6.1
New Claims for processing	38,621	41,067	6.3
New Claims processed and authorized	36,727	40,211	9.5
% of claims processed and authorized	95%	98%	3.0
New Claims paid	35,509	39,785	12
No. of Long Term Benefit Recipients	94,126	100,021	6.3
Active Insured Persons	400,202	465,389	16.3
Active Employer Population	15,442	16,618	7.6
No. of Employers surveyed	5,844	7,066	20.9
Contribution Income	\$1,172.1M	\$1,353M	15.4
Net Investment Income	\$696.3M	\$766.5M	10.0
Administrative Costs	\$83.4M	\$96.4M	15.8
Administrative Costs as % of Contribution Income	7.1%	7.0%	(0.1)
Administrative Costs as % of Total Income	4.4%	4.5%	0.1
Net Yield On Portfolio (realised income only)	7.3%	7.02%	(0.28)
Fair Value Unrealized Gains (Losses) –Equity Portfolio	12.73%	(16.65%)	(29.38)
Net Yield On Portfolio (Realised and Unrealised Income)	9.3%	(1.86%)	(11.16)
Total Funds under Management	\$12.8B	\$13.5B	5.5
Growth in Total Fund	10.9%	4.6 %	(6.3)
Total Assets	\$13.1B	\$14B	6.9

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public and the various interest groups in the 7th Actuarial Review process.

During the financial year, input was sought and received from the public on desirable changes to the NIS. These, along with relevant data required for the Review, were submitted to the International Labour Organisation (ILO) who were contracted to conduct the Review.

In addition, in 2006 June, a three-member team from the ILO visited Trinidad and Tobago to obtain first-hand from government, business and labour representatives their particular comments on the operation of the system and reform measures considered necessary at this time.

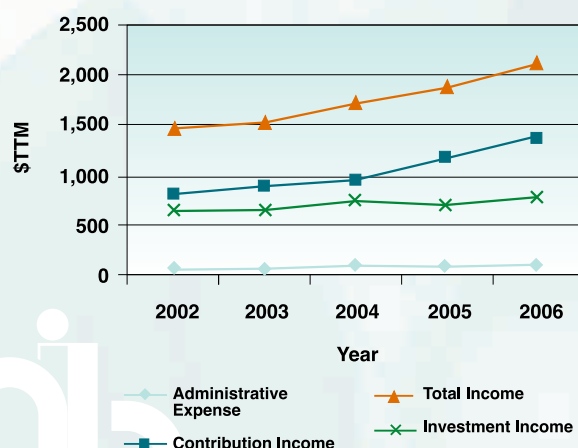
By this approach, the NIBTT is ensuring that the tripartite collaboration that gave birth to the NIS continues even as the system matures.

We thank all those who took time to formulate and submit recommendations.

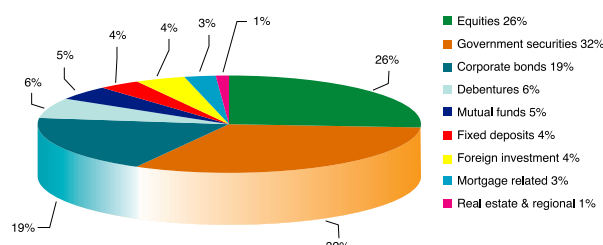
Self Employed Coverage

It is our goal to provide universal coverage for all workers in Trinidad and Tobago, which includes the self-employed. If we are to meet this goal, we must provide coverage to this currently unprotected group that in 2005 represented 18% of the workforce. As part of this initiative, preliminary work continued towards establishing the feasibility of extending social insurance to the self-employed.

Administrative Expenses/Contribution Income & Total Income



Investment Portfolio Mix FY 05-06



FINANCIAL PERFORMANCE

Economic Climate

Robust economic growth continued through financial year 2006 with real GDP projected to have expanded at double-digit pace. The number of persons employed reached 574,000 for calendar year 2005 and approached 600,000 by July 2006.

The NIS benefited from an associated rise in contribution income. However, the rapid expansion in economic activity was accompanied by price increases which also impacted on NIBTT's operating expenses.

The Central Bank's responses to rising inflation altered the interest rate environment from that which prevailed in the previous financial year. With June year-on-year headline inflation coming in at 8.7%, as well as rising interest rates abroad, the Central Bank implemented counter-measures that set the Repo rate by year-end to 7.3%, resulting in a rise of the prime lending rate to 11%. This has had consequences for NIBTT's portfolio performance and investment strategy.

INCOME AND YIELD

Total Income for Financial year 2006 was \$2.7B, an increase of some 14.5% over the previous year. Contribution Income was 17% higher than last year and accounted for \$1,373M of total income, while net investment income, which was 10% higher than in 2005, accounted for \$766.5M. Penalty & Interest Income was \$6.5M.

The growth in Contribution Income and the effect of efficiency measures implemented during the financial year resulted in a ratio of Administrative

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Expenditure to Contribution Income of 7.0%, a marginal decline over last year.

Generally, conditions of excess liquidity kept interest rates low. The net realized Investment Portfolio Return was 7.02%, compared to 7.3% for financial year 2005, while the Annual Growth in the Total Fund was 4.6% compared to 10.9% last year. This decline in portfolio performance is mainly attributable to downward movements in the equity market that impaired the market value of our local equity portfolio and Mutual Fund Investments. Dramatic declines were experienced in the market value of some of our key equity holdings such as RBTT, Republic Bank, Trinidad Cement Ltd., and NEL. This feature of the portfolio's performance is in contrast to financial year 2005, when the equity holdings recorded a 57% appreciation and the TTSE Composite Index rose by 47%.

Investment Portfolio Mix

In Financial Year 2006, investments in Government securities and corporate bonds comprised the largest segment (51%) of NIBTT's portfolio, followed by equities at 26%. Comparatively minor components of the portfolio included debentures (6%), mutual funds (5%), fixed deposits (4%), foreign investments (4%), real estate (1%) and mortgages (3%).

Other notable movements within the portfolio were investments in mutual funds and real estate. In this regard, the NIBTT's investment in the RiverWoods Housing project has allowed the NIBTT to profitably diversify the investment portfolio, while supporting current government initiatives to provide suitable housing for the population.

EMPLOYEE GROWTH AND DEVELOPMENT

Considerable achievements were made in positioning NIBTT to fully develop and benefit from its human resources asset. A revised Employee Performance Management System (EPMS) was developed. Performance will now be managed within an agreed framework of planned goals, standards and competency requirements. The EPMS has been approved by the Board of Directors and will be implemented in the new financial year. During this period the system will be tested, evaluated and adjustments made where necessary. The revised EPMS has been complemented with an initiative that

recognizes and rewards individual achievement. In this context, the Board of Directors has approved a Pay-For-Performance Programme that is scheduled for implementation during 2007.

We continued to focus on staff development. A total of 56 training programmes were conducted exposing 52% of staff to formal development in various areas. Staff participated in a mix of internal, external and overseas training opportunities. In addition, one scholarship was awarded to Ms. Hillarie Hoyte, Process Manager, to pursue the Executive Diploma in Management (Social Security) whilst 15 applications for study loans were approved.

During the coming year, our Human Resource Planning and Succession strategies will be fully developed and implemented. In this regard, other significant training initiatives to be undertaken include: Leadership Development Programmes and interventions aimed at creating cadres of trained staff to function as Customer Service Representatives, Clerical Officers, Supervisors and Compliance Officers. Emphasis will also be placed on safety and becoming fully OSHA compliant. Work will also continue toward improving the Employee Assistance and other Wellness Programmes.



Industrial Relations

In December 2005, the NIBTT and the recognised staff union, the Public Services Association (PSA), reached agreement in negotiations for the 2002/2004 Collective Agreement in December 2005 following open dialogue with staff.

By the end of June 2006, proposals from both the NIBTT and the PSA for the 2005/07 Collective Agreement had been costed and forwarded to the

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ISSA REGIONAL CONFERENCE FOR THE AMERICAS BELIZE CITY, BELIZE MAY 2006

Chief Personnel Officer and Minister of Finance for consideration. It is the NIBTT's expressed desire to ensure that staff receive salaries that are current.

REGIONAL AND INTERNATIONAL RELATIONS

Technical Exchanges

The NIBTT continues to be involved in a number of social sector initiatives. The organisation has representation on the Government appointed Committee charged with the responsibility to develop a framework for a National Health Insurance (NHI) system in Trinidad and Tobago. As such, technical visits were made to our regional counterparts, Belize, Bahamas and St. Lucia, to access intelligence gained from implementing or developing an NHI system in those jurisdictions.

The NIBTT hosted technical visits by senior staff from the Antigua and Barbuda and the British Virgin Islands social security boards who were interested in establishing research departments within their organisations

Reciprocal Agreements

The NIBTT continues to provide social insurance support to clients within the CARICOM region and Canada through its reciprocal agreements with these countries. Five hundred and forty (540) transactions were processed with respect to the reciprocal agreement between Trinidad and Tobago and Canada.

Similarly, 37 transactions were processed with respect to the CARICOM reciprocal agreement. These numbers are expected to grow with the implementation of the CARICOM Single Market.

Regional and International Co-operation

During the year, NIBTT also delivered a substantial volume of data and information to a number of agencies including the International Monetary Fund, the International Social Security Association and the Inter-American Centre for Social Security Studies. We also continued to respond on a timely basis to requests from our regional counterparts. On a lighter note, this year the largest ever contingent of staff (90 persons) flew to Dominica to attend the Seventh Annual CARICOM Social Security Games. This time of rejuvenation served to positively reinforce the already good relations between staff of the NIBTT and other CARICOM Social Security Organizations.

BUILDING RELATIONSHIPS

Building strong relationships within the NIBTT and with our external customers continued with renewed vigour during this financial year.

Community Outreach Programmes

Our Community outreach programmes were expanded. Nine (9) Community Outreach Exhibitions & Fairs were held in Trinidad and Tobago, which were visited by approximately 17,500 persons.

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At these events, we co-partnered with other social services agencies and non-governmental organisations that provide care for our customers. In addition, we hosted 52 seminars that catered to some 2,400 insured persons.

Bringing the “Youth on Board” was the first phase of a Youth Campaign geared towards encouraging young persons to fully embrace the NIS. Children of staff participated in tours and lectures on the NIS, the operations of the various departments and possible careers in the organisation. These initiatives, together with our website, www.nibtt.co.tt, and an extended communication campaign, has allowed the NIBTT to make progress in informing and educating the general public about the range of benefits we provide.

Staff Relations

Following in the vein of inter-company activities held in the previous year, the 3rd Annual “From Emancipation to Independence Show” was held at NIBTT Head Office on August 26th 2005. The show was held in conjunction with NIBTT subsidiaries NIPDEC and TTME. It included displays from various ethnic groups and used the theme “Celebrating Womanhood”.

Our Annual Christmas Dinner and Dance was held at the Cascadia Hotel and Conference Centre on December 3rd 2005 with more than 500 staff and guests in attendance. This was followed by the annual Children's Christmas Party, which was held at the Head Office on December 10th 2005 and catered to 300 children and grand children of staff. Our Annual Carnival Calypso Show was held on February 17th 2006 and was well supported by staff and guests.

ENHANCED PUBLIC IMAGE

The NIB enjoys a much enhanced and positive image in the public's mind. Of the several factors that contributed to this positive image the major ones were: -

- The timely payment of benefits that represent good value to contributors;
- the businesslike, committed and knowledgeable staff who serve efficiently;

- our outreach to all publics to disseminate information on the NIS;
- the clean and well maintained offices from which our services are provided;
- the simplification and streamlining of processes that impact the customer and
- the support given to employers to ensure that they comply with the requirements of the legislation.

APPRECIATION

Continuous performance improvements has been made possible by the commitment and dedication of all levels of the NIB Team. The Chairman of the Board, Mr. Calder Hart, the Directors and Board Committees have demonstrated strong commitment to the social security philosophy and have worked effectively to improve the governance and performance of the NIS.

I record the management's appreciation for their invaluable guidance, advice and support. For yet another year, the Executive and Senior Management Teams have astutely and with integrity managed the affairs of the NIBTT. I commend you on a job well done and thank you for your support, dedication and commitment.

Special tribute must again be paid to our staff, definitely our most valuable resource. The overall service and performance improvements realised were attained through your commitment and service excellence. The many commendations received from our customers are testimony to your consistent hard work and professionalism. Your performance continues to establish new benchmarks. I salute you.

To you our valued customers, we recommit ourselves to providing quality service and value as we practice on a daily basis our watchwords Courtesy, Service and Customer Satisfaction. It is for you that we are creating this culture of excellence.

Jeffrey McFarlane
Executive Director



The National Insurance Board CUSTOMER CARE



Bringing NIS to the customer - community outreach at Harris Promenade San Fernando

The National Insurance Board EXECUTIVE MANAGEMENT TEAM



(from left) Lorna Charles
*Executive Manager
Insurance Operations*

Ian Pemberton
*Executive Manager
Investments, Finance and Business*

Wendy Ali
*Executive Manager
Legal Services/Corporate Secretary*

Karen Gopaul
*Executive Manager
Planning and Technology*

Jeffrey McFarlane
Executive Manager

Cherry-Ann Critchlow-Cockburn
*Executive Manager
Human Resources*



The National Insurance Board
INVESTMENT COMMITTEE



DELIVERING
SERVICE
EXCELLENCE

2006

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The National Insurance Board INVESTMENT COMMITTEE



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page 21



1 Calder Hart
Chairman, NIBTT

2 Robert Giuseppe
Member

3 Michael Annissette
Member

4 Peter Clarke
Member

5 Hazel Marcelle
Member

6 Joan John
Member

7 Ruben Mc Sween
Member

8 Jeffrey McFarlane
*Executive Director, NIBTT
Member*

9 Ian Pemberton
*Executive Manager, NIBTT
Investment, Finance and Business
Ex-officio Member*



The National Insurance Board RIVERWOODS HOUSING DEVELOPMENT



*The RiverWoods Housing project has allowed the NIBTT to profitably diversify the investment portfolio, while supporting current government initiatives to provide suitable housing for the population.
(left) The Honourable Conrad Enill Minister in the Ministry of Finance formerly opening the RiverWoods Housing Development*

The National Insurance Board THE YEAR IN REVIEW: CORPORATE FAMILY DAY



Team TnT - CARICOM Social Security Games - Dominica 2006



Rewarding Excellence in Service Delivery



Getting up-to-date on OSHA



De Real Dan NISCC Calypso Monarch 2006



Getting into the Christmas spirit at St. James Service Centre



Childrens Christmas party

The National Insurance Board

BOARD COMMITTEES

Human Resources Committee

Mr Alva Allen - *Chairman*
Mr Henry Sealy - *Member*
Mr Walton Hilton-Clarke - *Member*
Executive Director - *Member*
Executive Manager, - *Ex-officio Member*
Human Resources

Audit Committee

Ms Inex Sinanan - *Chairperson*
Mr Walton Hilton-Clarke - *Member*
Mr Rudranath Indarsingh - *Member*
Executive Director - *Member*
Internal Auditor - *Ex-officio Member*

Tenders Committee

Mr Seeram K. Maharaj - *Chairman*
Mr. Henry Sealy - *Member*
Mr Alva Allen - *Member*
Executive Director - *Member*
Executive Manager, Investments, - *Ex-officio Member*
Finance & Business

Computer Projects Implementation Committee

Mr Ruben Mc Sween - *Chairman*
Rudranath Indarsingh - *Member*
Ms Joan John - *Member*
Executive Director - *Member*
Executive Manager, - *Ex-officio Member*
Planning & Technology

Finance Committee

Mr Calder Hart - *Chairman*
Mr Michael Annisette - *Member*
Mr Seeram K. Maharaj - *Member*
Ms Joan John - *Member*
Executive Director - *Member*
Executive Manager, Investments,
Finance & Business - *Ex-officio Member*

Pension Plan Committee

Mr Henry Sealy - *Chairman*

Investment Committee

Mr Calder Hart - *Chairman*
Ms Joan John - *Member*
Ms Hazel Marcelle - *Member (external Government)*
Mr Ruben McSween - *Member*
Mr Peter Clarke - *Member*
Mr Michael Annisette - *Member*
Mr Robert Guiseppi - *Member (external Labour)*
Executive Director - *Member*
Executive Manager, Investments, - *Ex-officio Member*
Finance & Business



The National Insurance Board

AUDITORS' REPORT

REPORT OF THE AUDITORS TO THE DIRECTORS OF THE NATIONAL INSURANCE BOARD OF TRINIDAD AND TOBAGO

We have audited the non-consolidated balance sheet of The National Insurance Board of Trinidad and Tobago ("the Board") as of 30th June, 2006 and the non-consolidated revenue and expenditure accounts and statement of cash flows for the year then ended as set out on pages 26 to 46. These financial statements are the responsibility of the Board's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The Board's statutory responsibility is to prepare financial statements to be ultimately laid before Parliament as required by the National Insurance Act. These accounts have been prepared under the accounting framework as described in note 4 of these financial statements.

In our opinion, the non-consolidated financial statements present fairly, in all material respects, the financial position of the Board as of 30th June, 2006 and the non-consolidated results of its operations and cash flows for the year then ended in accordance with the accounting policies as set out in note 4.

Port of Spain,
TRINIDAD:
6th October, 2006



The National Insurance Board

BALANCE SHEET

As at 30th June, 2006

	Notes	2006 \$'000	2005 \$'000
Assets			
Fixed assets	5	82,786	85,538
Investment properties	6	116,761	116,761
Employee benefit asset	7	241,124	199,710
Investment in subsidiary companies	8	32,190	32,190
Investments held-to-maturity	9	6,767,818	5,654,262
Mortgage advances	10	108,359	144,513
Investments available-for-sale	11	5,210,505	4,661,444
Land held for sale	12	26,210	26,210
Investments at fair value through profit and loss		448,867	403,686
Inventory		38,147	8,267
Fixed deposits		360,586	557,099
Other assets	13	407,417	337,992
Cash and cash equivalents	14	150,175	884,207
Total assets		13,990,945	13,111,879
Funds, reserves and liabilities			
Long term benefits fund	15	8,799,344	8,341,065
Short term benefits fund	16	104,773	92,812
Employment injury benefit fund	17	301,188	283,638
Total funds		9,205,305	8,717,515
Accumulated reserve	18	2,309,759	1,707,679
Revaluation reserve	19	1,642,599	2,650,565
Total funds and reserves		13,157,663	13,075,759
Other liabilities	20	833,282	36,120
Total funds, reserves and liabilities		13,990,945	13,111,879

Chairman

Executive Director



The accompanying notes on pages 29 to 46 form an integral part of these financial statements.

The National Insurance Board

REVENUE & EXPENDITURE ACCOUNTS

For the year ended 30th June, 2006

LONG TERM BENEFITS FUND

	2006	2005		2006	2005
	\$'000	\$'000		\$'000	\$'000
Revenue			Expenditure		
Fund at July 1	8,341,065	6,699,913	Benefits incurred	879,934	834,106
Contribution income	1,167,216	996,796	Administrative expenses	93,016	79,951
Penalty income	6,228	8,769	Transfer to		
			accumulated reserve	515,333	—
Pension asset income	39,626	26,679	Fund at June 30	8,799,344	8,341,065
Investment income	733,492	667,264			
Transfer from					
accumulated reserve	—	855,701			
	<u>10,287,627</u>	<u>9,255,122</u>		<u>10,287,627</u>	<u>9,255,122</u>

SHORT TERM BENEFITS FUND

Revenue			Expenditure		
Fund at July 1	92,812	67,494	Benefits incurred	83,818	74,249
Contribution income	123,588	105,543	Administrative expenses	1,036	805
Penalty income	69	88	Transfer to accumulated		
Pension asset income	441	269	reserve	35,445	12,250
Investment income	8,162	6,722	Fund at June 30	104,773	92,812
	<u>225,072</u>	<u>180,116</u>		<u>225,072</u>	<u>180,116</u>

EMPLOYMENT INJURY BENEFIT FUND

Revenue			Expenditure		
Fund at July 1	283,638	224,312	Benefits incurred	37,648	35,455
Contribution income	82,392	70,362	Administrative expenses	3,163	2,677
Penalty income	212	294	Transfer to		
Pension asset income	1,347	893	accumulated reserve	50,532	—
Investment income	24,942	22,340	Fund at June 30	301,188	283,638
Transfer from					
accumulated reserve	—	3,569			
	<u>392,531</u>	<u>321,770</u>		<u>392,531</u>	<u>321,770</u>



The National Insurance Board

STATEMENT OF CASH FLOWS

For the year ended 30th June, 2006

	2006 \$'000	2005 \$'000
Cash flows from operating activities		
Contribution income	1,373,196	1,172,702
Investment income	766,596	696,326
Penalty income	6,509	9,150
Benefits expenditure	(1,001,400)	(943,811)
Administrative expenses (net)	(96,445)	(82,643)
Adjustment for depreciation	6,261	7,296
Adjustment to provision for doubtful debts	(3,645)	(1,068)
Increase in amounts owed	(69,425)	(1,069)
Increase/(decrease) in amounts due	<u>785,612</u>	<u>(395)</u>
Net cash flows from operating activities	<u>1,767,259</u>	<u>856,488</u>
Cash flows from investing activities		
Purchase of fixed assets	(3,509)	(5,564)
Purchase of investments	(7,694,183)	(7,666,071)
Maturity of investments	<u>5,184,851</u>	<u>6,997,837</u>
Net cash used in investing activities	<u>(2,512,841)</u>	<u>(673,798)</u>
Net increase/(decrease) in cash and cash equivalents	(745,582)	182,690
Cash and cash equivalents at the beginning of the year	<u>883,667</u>	<u>700,977</u>
Cash and cash equivalents at the end of the year	<u>138,085</u>	<u>883,667</u>
Cash and cash equivalents are comprised of:		
Cash and bank balances (including call deposits)	150,175	884,207
Bank overdraft	<u>(12,090)</u>	<u>(540)</u>
	<u>138,085</u>	<u>883,667</u>
Dividends received	168,281	127,503
Interest paid	11,098	—
Interest received	550,532	559,617



The accompanying notes on pages 29 to 46 form an integral part of these financial statements.

The National Insurance Board

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th June, 2006

1. Incorporation and principal activity

The National Insurance Board of Trinidad & Tobago (the Board) was incorporated under Act No. 35 of 1971 (The National Insurance Act), as subsequently amended, and commenced operations in 1972. The principal activity of the Board is to carry out the requirements of the National Insurance Act in providing social security benefits to the insurable population of Trinidad and Tobago. The registered office is located at 2a Cipriani Boulevard Port-of-Spain, Trinidad and Tobago.

The financial statements of the Board for the year ended June 30, 2006 were authorised for issue by Management on 6th October, 2006.

2. Actuarial review

Section 70 (1) of the National Insurance Act requires an actuarial review of the National Insurance System at five-yearly intervals.

The Sixth Actuarial Review of the National Insurance System was completed by an independent actuary who concluded, "the current position of the NIS is very favourable." It was also indicated that "the NIS is in a good position to put in place strategies to deal with the future demographic bulge."

In general, contribution payments and benefit calculations are based on a system of wage classes. The contribution amount is paid by the employer and the employee in a proportion of two-thirds/one-third. Benefits are grouped into three funds: long term benefits, short term benefits and employment injury benefits. Each fund is credited with contribution income and investment income, from which benefit expenditures and administrative expenses are met.

Allocation of the total funds was modified in 1991 with the creation of a fourth reserve fund that is the accumulated reserve. Any excess or shortage in any of the three funds – long term benefits fund, short term benefits fund and employment injury benefit fund – is transferred to or from the accumulated reserve. Any administrative expense in excess of the ceiling (refer to Note 22) is charged against the accumulated reserve.

Further, the Actuary made the following recommendations in the Sixth Actuarial Review:

The ratio of the contributions paid by employee to those paid by employer, 1:2 should be maintained.

Contribution income be distributed between the funds in the following ratio – long term 85%; short term 9%; employment injury 6%.



The National Insurance Board

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th June, 2006 (Continued)

2. Actuarial review (continued)

Benefit levels ought to be revised upwards.

The Actuaries have disclosed several main findings, which assumed no changes to the existing contribution and benefit rates, including:

- As at 30th June, 2000, there was a significant balance in the NIS funds and the contribution income exceeded the expenditure by a considerable amount. The average fund (i.e. the total of all funds and reserves) for the fiscal year 2000, stood at 14.3 times the actual expenditure.
- With the current contribution rate of 8.4%, the ratio of the average fund to annual expenditure is estimated to peak at 24.9 in 2010-11 and then fall to less than 1 (i.e. 0.7) by 2044-45. This means that the NIS can continue to operate at the current contribution rate for the next 40 years. However, by 2043-44 a large increase in the contribution rate will be required to sustain the NIS fund thereafter.
- The current contribution rate of 8.4% is twice the contribution rate required on a strict Pay-As-You-Go (PAYG) basis to meet current expenditure under the NIS.
- The Fund as at 1st July, 2000 was 76% of the fund that is required if accrued benefits were fully funded and the deficit in the Fund (on a fully-funded basis) was \$1,996 million.
- These findings were reported based upon the premise of a series of "Base Scenario" assumptions including:
 - No changes to existing contribution or benefit rates;
 - Full indexation of contribution and benefit rates to inflation;
 - A 6% average annual investment rate of return;
 - A 4% average increase in prices and earnings.

The Seventh Actuarial Review was due at the end of June 30, 2005 and is currently in progress.

The National Insurance Board

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th June, 2006 (Continued)

3. Legislative amendments

Benefits

The basic benefit rate was increased by 24% effective March 1, 2004 on the following benefits: sickness, maternity, invalidity, employment injury, survivors and retirement pension. In addition, a minimum retirement pension of \$1,000 was instituted and became effective on October 1, 2003, the funeral grant was increased to \$4,000 and the maternity grant to \$2,000.

Contributions

Employer/employee contributions increased in January 2006.

4. Statement of accounting policies

(a) Basis of accounting

These non-consolidated financial statements are prepared on the historical cost convention, except for the valuation of available-for-sale and held-for-trading investments, investment properties, artwork and freehold and leasehold properties. They have been prepared in accordance with the accounting policies described below and no account is taken of the effect of inflation. These accounting policies are consistent with International Financial Reporting Standards, except that consolidated financial statements have not been prepared.

The preparation of the financial statements, in conformity with the accounting policies described below, requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from these estimates.

(b) Fixed assets

Fixed assets are stated at historical cost except for artwork and freehold and leasehold properties which are stated at valuations conducted by independent professional valuers. Freehold and leasehold properties were professionally valued in May 2004 using the investment method. Depreciation is provided on a straight-line basis at varying rates sufficient to write off the cost/market value respectively of the assets over their estimated useful lives.



The National Insurance Board

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th June, 2006 (Continued)

4. Statement of accounting policies (continued)

(b) Fixed assets (continued)

The rates used are as follows:

Freehold and leasehold properties - 2% on buildings

Improvements to premises:

Owned	- Equal annual instalments over a period of ten years.
Leased	- Equal annual instalments over the period of the lease.
Rented	- Where a monthly tenancy applies, in equal annual instalments over three years.

Furniture and fixtures/machinery and equipment	- 7.5% - 25%
Motor vehicles/artwork	- 25%

(c) Basis of allocation, etc.

Contribution income and other income have been allocated to the various fund accounts on the basis set out in the Sixth Actuarial Review.

i. Contribution income

Contribution income is allocated as follows:

	2006	2005
	%	%
Long term benefits fund	85	85
Short term benefits fund	9	9
Employment injury benefit fund	6	6
	<u>100</u>	<u>100</u>

ii. Other income

Other income comprising investment income less expenses, penalty income and pension asset income is allocated to the benefit funds in the ratio of their opening fund balances. Investment expenses comprise direct staff costs and overhead expenses of the investments department and other direct expenses including mortgage management fees and provisions for diminution in value of investments.

The National Insurance Board

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th June, 2006 (Continued)

4. Statement of accounting policies (continued)

(c) Basis of allocation, etc. (continued)

iii. Fund ratios

Based on the recommendations of the Sixth Actuarial Review, the Board implemented the following: short term benefit fund and employment injury benefit fund balances will be maintained at 1.25 times and 8 times the respective benefits incurred during the current year, while the long term benefit fund balance represents 10 times the long term benefits incurred during the year.

These fund allocations are based solely on the ratios recommended by the Independent Actuary, and do not represent the Board's liability to beneficiaries at June 30, 2006.

iv. Accumulated reserve

The Board has also decided that surpluses or deficits arising from the operation of the Funds as described above, together with any excess of administrative expenses and significant prior year adjustments, may be transferred to or from the accumulated reserve which will be held as a reserve for future contingencies.

(d) Investment properties

Investment properties are properties held by the Board to earn rentals or for capital appreciation or both. Investment properties are initially measured at cost. After initial recognition, investment properties are measured at fair value based on valuations conducted by an independent professional valuator. Gains and losses arising from the change in fair value are included in the revenue and expenditure accounts.

The valuers have adopted the investment method of valuation and assumed good title, vacant possession and no unduly restrictive covenants or onerous or unusual outgoings running with the land.

Rental income from investment properties during the year amounted to \$6.1 million (2005: \$5.5 million). Direct operating expenses incurred on investment properties during the year amounted to \$1.8 million (2005:\$3.3 million).

(e) Investment securities

Investment securities are classified as available-for-sale, held-to-maturity and at fair value through profit and loss. Management at the time of purchase determines the appropriate classification and all investment securities are originally recorded at fair value. All regular way purchases and sales of investment securities are recognised on settlement date:



The National Insurance Board

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th June, 2006 (Continued)

4. Statement of accounting policies (continued)

(e) Investment securities (continued)

i. Available-for-sale investments

Available-for-sale investments comprise securities which are intended to be held for an indefinite period of time, but may be sold in response to needs for liquidity, changes in interest rates or equity prices. Investments classified as available-for-sale are measured at their fair values based on quoted market prices and gains and losses on re-measurement recognised directly in the revaluation reserve until sold, collected or otherwise disposed of.

Investments in unquoted equities, which do not have a quoted market price in an active market and for which other methods of reasonably estimating fair value are inappropriate, are carried at cost.

ii. Held-to-maturity investments

These comprise fixed or determinable income securities which the Board has the positive intent and ability to hold to maturity. Investments classified as held-to-maturity are measured at amortised cost less any impairment losses.

iii. Financial assets at fair value through profit and loss

These comprise of financial assets held for trading and those designated at fair value through profit and loss at inception.

These investments are recognised at cost fair value based on published market quotations. Any gains or losses arising on remeasurement are recognised in the revenue and expenditure accounts.

iv. All financial assets are derecognised when the contractual right to receive cash flows expires or when the asset is transferred.

(f) Mortgage advances

These are measured at amortised cost less provisions for impairment. For delinquent mortgages, specific provisions are established based on the extent of delinquency of the mortgages. The provision is calculated based on a percentage of the outstanding principal balance for delinquent mortgages.

The National Insurance Board

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th June, 2006 (Continued)

4. Statement of accounting policies (continued)

(g) Investment in subsidiary companies

Subsidiary companies are companies where the Board holds in excess of 50% of the share capital. These are as follows:

Companies	Percentage ownership
National Insurance Property Development Company Limited (NIPDEC)	100%
Trinidad and Tobago Mortgage Finance Company Limited (TTMF)	51%

In these separate parent financial statements of the Board, these investments are accounted for at cost.

(h) Land held for sale

Land held for sale is accounted for at the lower of cost and net realisable value.

(i) Contribution and benefits

Contribution income is accounted for on the accrual basis to take account of all collections subsequent to June 30 that relate to the current year, and to recognise all known significant receivables.

A provision for benefits is made based on the estimated cost of all benefits approved though not paid at the balance sheet date.

(j) Investment income

Income from investments is accounted for on the accrual basis. Interest from commercial loans and debentures is not accrued where instalments are in arrears for more than twelve months.

The National Insurance Board

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th June, 2006 (Continued)

(k) Foreign currencies

These financial statements are expressed in Trinidad and Tobago dollars. Transactions denominated in foreign currencies are translated at the rate of exchange ruling on the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated at the Central Bank of Trinidad and Tobago mid-rate of exchange (average of buying and selling rate) determined at the balance sheet date.

Exchange differences on transactions are recognised through the revenue and expenditure accounts.

(l) Employee benefits

The Board contributes to a defined benefit staff pension plan which covers all qualifying employees. Members contribute 5% (2005: 5%) of their pensionable salaries to the Plan whilst the Board currently contributes 5% (2005: 5%). All permanent employees are eligible for membership and temporary employees under certain conditions.

The pension accounting cost for the pension plan is assessed using the projected unit credit method. Under this method, the cost of providing pensions is charged to the revenue and expenditure accounts so as to spread the regular cost over the service lives of the employees in accordance with the advice of a qualified actuary who carries out a full valuation of the plan every three years.

(m) Cash and cash equivalents

Cash and cash equivalents represent cash and bank balances and highly liquid investments with a maturity period of three months or less.

(n) Inventory

Inventory is stated at cost and comprises of amounts transferred from investment properties due to the commencement of development, with a view to sale. Upon transfer from investment properties, the deemed cost of the inventory was taken as the fair value of the investment property at the date of change in use.

The National Insurance Board

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th June, 2006 (Continued)

4. Statement of accounting policies (continued)

(o) Investment in associates

During the financial year ended June 30, 2006, the Board increased its holding in RBTT Financial Holdings Limited to 69,230,417 shares, representing 20.15 % of its issued share capital.

This investment is classified as available-for-sale and carried fair value based on quoted marked prices. The fair value of the Board's investment in RBTT Financial Holdings Limited amounted to \$2.2 billion at June 30, 2006.

(p) Comparative figures

Certain changes in presentation have been made in these financial statements. These changes were limited to reclassifications of certain balance sheet items and full retrospective application of the change in accounting policy for investments in subsidiaries from the equity method to cost.

5. Fixed assets

	Land freehold/ leasehold buildings \$'000	Machinery equipment/ furniture & fittings \$'000	Art & motor vehicles \$'000	Total 2006 \$'000	Total 2005 \$'000
Cost/valuation at beginning of year	74,490	58,794	1,998	135,282	134,418
Additions	604	1,771	1,134	3,509	5,564
Disposals	—	—	(260)	(260)	(4,700)
At the end of year	<u>75,094</u>	<u>60,565</u>	<u>2,872</u>	<u>138,531</u>	<u>135,282</u>
Accumulated depreciation at beginning of year	2,649	45,779	1,316	49,744	42,448
Current year	1,215	4,529	517	6,261	7,296
Disposals	—	—	(260)	(260)	—
At the end of year	<u>3,864</u>	<u>50,308</u>	<u>1,573</u>	<u>55,745</u>	<u>49,744</u>
Net book value	<u>71,230</u>	<u>10,257</u>	<u>1,299</u>	<u>82,786</u>	<u>85,538</u>



The National Insurance Board

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th June, 2006 (Continued)

5. Fixed assets (continued)

Note:

Valuation of land, freehold and leasehold buildings has been expressed by way of open market values.

Independent professional valuations of the properties of the Board were undertaken in May 2004, and put the market value at \$77.4 million.

	2006 \$'000	2005 \$'000
6. Investment properties		
Scarborough Mall	11,011	11,011
Huggins Building	13,500	13,500
Nipdec House	39,500	39,500
Queen's Park East	52,750	52,750
	<u>116,761</u>	<u>116,761</u>

7. Employee benefits

The amounts recognised in the balance sheet are as follows:

	2006 \$'000	2005 \$'000
Defined benefit obligation	334,903	334,984
Fair value of assets	<u>(594,041)</u>	<u>(708,015)</u>
Benefit surplus	(259,138)	(373,031)
Unrecognised actuarial gains	<u>18,014</u>	<u>173,321</u>
Defined benefit asset	<u>(241,124)</u>	<u>(199,710)</u>

The National Insurance Board

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th June, 2006 (Continued)

7. Employee benefits (continued)

The amounts recognised in the revenue and expenditure accounts are as follows:

	2006 \$'000	2005 \$'000
Current service cost	6,685	6,328
Interest on defined benefit obligation	21,426	20,272
Expected return on plan assets	(58,528)	(49,071)
Amortised net gain	(8,390)	(3,804)
	<hr/>	<hr/>
Net pension income	(38,807)	(26,275)
	<hr/>	<hr/>

Movements in the net asset recognised in the balance sheet are as follows:

Net asset at July 1	(199,710)	(171,869)
Net income recognised in the revenue and expenditure accounts	(38,807)	(26,275)
Contributions	(2,607)	(1,566)
	<hr/>	<hr/>
Net asset at June 30	(241,124)	(199,710)
	<hr/>	<hr/>

Actual return on pension plan assets:

Expected return on pension plan assets	58,528	49,071
Actuarial gain on pension plan assets	(166,673)	71,687
	<hr/>	<hr/>
Actual return on pension plan assets	(108,145)	120,758
	<hr/>	<hr/>

Principal actuarial assumptions at the balance sheet date:

	2006 %	2005 %
Discount rate	8.0	6.5
Expected return on pension plan assets (net of investment expenses)	9.8	8.3
Rate of salary increases	7.0	5.0



The National Insurance Board

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th June, 2006 (Continued)

8. Investment in subsidiary companies

The investments in NIPDEC and TTMF are carried at cost as at 30th June, 2005.

	2006 \$'000	2005 \$'000
NIPDEC	25,000	25,000
TTMF	<u>7,190</u>	<u>7,190</u>
	<u>32,190</u>	<u>32,190</u>

9. Investments held-to-maturity

Government and public sector investments	3,679,680	3,679,899
Corporate securities	<u>3,088,138</u>	<u>1,974,363</u>
	<u>6,767,818</u>	<u>5,654,262</u>

Bonds and debentures with subsidiary companies amounted to \$916.3 million as at June 30, 2006 (2005: \$711.2 million). The loans are secured by debenture, repayable between 2006 and 2023 and earn interest at rates ranging from 1.88% to 12.00%.

10. Mortgage advances

Gross mortgage advances	237,967	275,490
Provision for non-performing advances	<u>(129,608)</u>	<u>(130,977)</u>
Net mortgage advances	<u>108,359</u>	<u>144,513</u>

11. Investments available-for-sale

	2006 \$'000	2005 \$'000
Equities:		
- Quoted	5,137,742	4,595,328
- Unquoted	<u>72,763</u>	<u>66,116</u>
	<u>5,210,505</u>	<u>4,661,444</u>

The National Insurance Board

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th June, 2006 (Continued)

	2006	2005
	\$'000	\$'000
12. Land held for sale	<u>26,210</u>	<u>26,210</u>

This property has been earmarked for sale or disposal. Negotiations are currently underway regarding the disposal of this land.

	2006	2005
	\$'000	\$'000
13. Other assets		
Investment income receivable	192,196	166,318
Sundry debtors	12,783	11,785
Prepayments	76,143	55,910
Contributions receivable	<u>126,295</u>	<u>103,979</u>
	<u>407,417</u>	<u>337,992</u>

14. Cash and cash equivalents		
Cash and bank	22,625	115,736
Cash equivalents (TT)	127,550	591,551
Cash equivalents (US)	<u>–</u>	<u>176,920</u>
	<u>150,175</u>	<u>884,207</u>

15. Long term benefits fund

This Fund is held to cover retirement pensions, retirement grants, invalidity and survivors' benefits in respect of qualifying persons.

16. Short term benefits fund

This Fund is held to cover sickness and maternity benefits and funeral grants in respect of qualifying persons.

17. Employment injury benefit fund

This Fund is held to cover employment injury benefits to eligible insured persons.



The National Insurance Board

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th June, 2006 (Continued)

	2006 \$'000	2005 \$'000
18. Accumulated reserve		
Balance of reserve at July 1	1,707,679	2,512,909
Transfer from/(to) long term benefits fund	515,333	(855,701)
Transfer from short term benefits fund	35,445	12,250
Transfer from/(to) employment injury benefit fund	50,532	(3,569)
Transfer from survivors' benefit fund	–	41,000
Other	770	790
Balance of reserve at June 30	<u>2,309,759</u>	<u>1,707,679</u>

19. Revaluation reserve

The revaluation reserve reflects gains or losses on revaluation of freehold properties, and available-for-sale investments as follows:

	Properties \$'000	Available- for-sale \$'000	Total 2006 \$'000	Total 2005 \$'000
Balance as at July 1	56,578	2,593,987	2,650,565	2,242,133
Movement for the year	<u>–</u>	<u>(1,007,966)</u>	<u>(1,007,966)</u>	<u>408,432</u>
Balance as at June 30	<u>56,578</u>	<u>1,586,021</u>	<u>1,642,599</u>	<u>2,650,565</u>

	2006 \$'000	2005 \$'000
20. Other liabilities		
Bank overdraft	12,090	540
Sundry creditors and accruals	54,306	22,484
Provision for claims	8,828	9,139
Provision for other payables	12,587	3,957
Borrowings	735,000	–
Accrued interest	<u>10,471</u>	<u>–</u>
	<u>833,282</u>	<u>36,120</u>

The National Insurance Board

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th June, 2006 (Continued)

21. Administration and investment expenses

Included therein are the following charges:

Salaries and other related expenses	61,149	50,504
Depreciation	6,261	7,296
Mortgage management fees	3,296	3,096

Note:

In 2006 administrative expenses amounted to 7.0% (2005:7.1%) of contribution income and this did not exceed the limit established by the Board of 9.5%. The cumulative expenditure in excess of the limit is \$416 million (2005: \$449.2 million).

22. Contingent liabilities

(a) Pending litigation and outstanding appeals

As at June 30, 2006 there were certain legal proceedings outstanding against the Board. No provision has been made as professional advice indicates that it is unlikely that any significant loss will arise.

(b) Industrial relations

Negotiations for the new Industrial Agreement for the period January 1, 2005 to December 31, 2007 are currently in progress.

23. Capital commitments

Capital projects approved and contracted as at June 30, 2006 amounted to \$1.4 million (2005: \$1.5 million).

The National Insurance Board

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th June, 2006 (Continued)

24. Related party transactions

Included in these financial statements are the following transactions with subsidiary companies:

	2006 \$'000	2005 \$'000
Bonds and debentures	916,304	711,247
Interest on bonds and debentures	62,252	57,177
Dividends	8,434	5,754
Agency management fees	(171)	(179)
Interest receivable	16,646	14,383

25. Financial instruments

(a) Price risk

i. Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Board is exposed to currency risk with respect to its investments denominated in foreign currencies. These investments are primarily denominated in United States dollars. As at June 30, 2006 the Board had investments denominated in foreign currencies amounting to \$1.3 billion (2005: \$1.2 billion).

ii. Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Board is primarily exposed to interest rate risk with respect to its fixed rate debentures, government securities and bonds. As at June 30, 2006 the Board's investments in fixed rate debentures, government securities and bonds amounted to \$6.5 billion (2005: \$5.3 billion).

The National Insurance Board

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th June, 2006 (Continued)

25. Financial instruments (continued)

(a) Price risk (continued)

iii. Market risk

Market risk is the risk that a financial instrument will fluctuate as a result of changes in market prices. The Board is mainly exposed to market risk with respect to its investments in quoted equities.

(b) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Board is mainly exposed to credit risk with respect to its mortgage and bond portfolios. The Board granted mortgages based on evaluations of the mortgagees' financial situation, and continually monitors the exposure of potential losses from mortgages.

Mortgage and bond balances are stated net of the provisions for diminution in the value of investments as follows:

	Mortgages \$'000	Other bonds \$'000	Total 2006 \$'000	Total 2005 \$'000
Provisions as at July 1	130,977	2,276	133,253	134,321
Movement for the year	<u>(1,369)</u>	<u>(2,276)</u>	<u>(3,645)</u>	<u>(1,068)</u>
Provisions as at June 30	<u>129,608</u>	<u>–</u>	<u>129,608</u>	<u>133,253</u>

The outstanding principal balances for delinquent mortgages amounted to \$117 million (2005: \$137 million).

The outstanding balance for impaired bonds amounted to \$0 (2005: \$2.3 million).



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NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th June, 2006 (Continued)

25. Financial instruments (continued)

(c) Fair value

The estimated fair values of certain financial instruments have been determined using available market information, and accordingly, the estimates presented here are not necessarily indicative of the amounts that the Board could realise in a current market exchange.

The carrying amounts of financial assets and liabilities, included under current assets and current liabilities, approximate their fair values because of the short-term maturities of these instruments.

As stated in Note 4 (e) available-for-sale investments are stated at fair value.

Originated loans are carried at amortised cost. Due to the short term nature of fixed deposits, the carrying values are assumed to approximate fair value.

Mortgages have interest rates that vary between 8% to 10.5% and terms which vary between 15 to 25 years. Government securities and other bonds have interest rates that vary between 1.5% and 12.25%, and maturity dates which vary between years 2006 to 2036.

The National Insurance Board

NIB LOCATIONS

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Tel: 625-2171/8
Fax: 627-1787
NIB Hotline: 663-4NIS (4647)
Email: nib@nibtt.co.tt
Website: www.nibtt.co.tt

Records Department
Chaguaramas

LOCAL OFFICES

Arima

Cor. Woodford and Sorzano Streets
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Fax: 667-6930

Barataria

35-36 Fifth Street
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Fax: 674-6497

Chaguanas

Chaguanas Main Road
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Fax: 665-5188

Couva

2 Captain Watson Street, Exchange Lots
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Fax: 636-0820

Point Fortin

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Fax: 648-3128

Port of Spain

85 Abercromby Street
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Fax: 623-0450

Princes Town

Tazmool Hosein's Mall, High Street
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Fax: 655-2226

Rio Claro

Lalla Building, Naparima/ Mayaro Road
Tel: 644-2253
Fax: 644-2253

Sangre Grande

Henderson Street
Tel: 668-2719
Fax: 668-2719

Siparia

Grell Street
Tel: 649-2212
Fax: 649-2778

South Regional

27 Harris Promenade
Tel: 652-4247, 2649
Fax: 657-8982

St. James

76 Western Main Road
Tel: 622-1438, 4013
Fax: 628-8340

Tunapuna

Eastern Main Road
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Fax: 662-5671

Tobago

Scarborough Mall
Tel: 639-3842/3, 2135
Fax: 639-3843

Roxborough Service Centre

Inland Revenue Office
Roxborough

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