

**Annual Report 2016**

Caring about you by providing  
Financial Support in times of **NEED.**



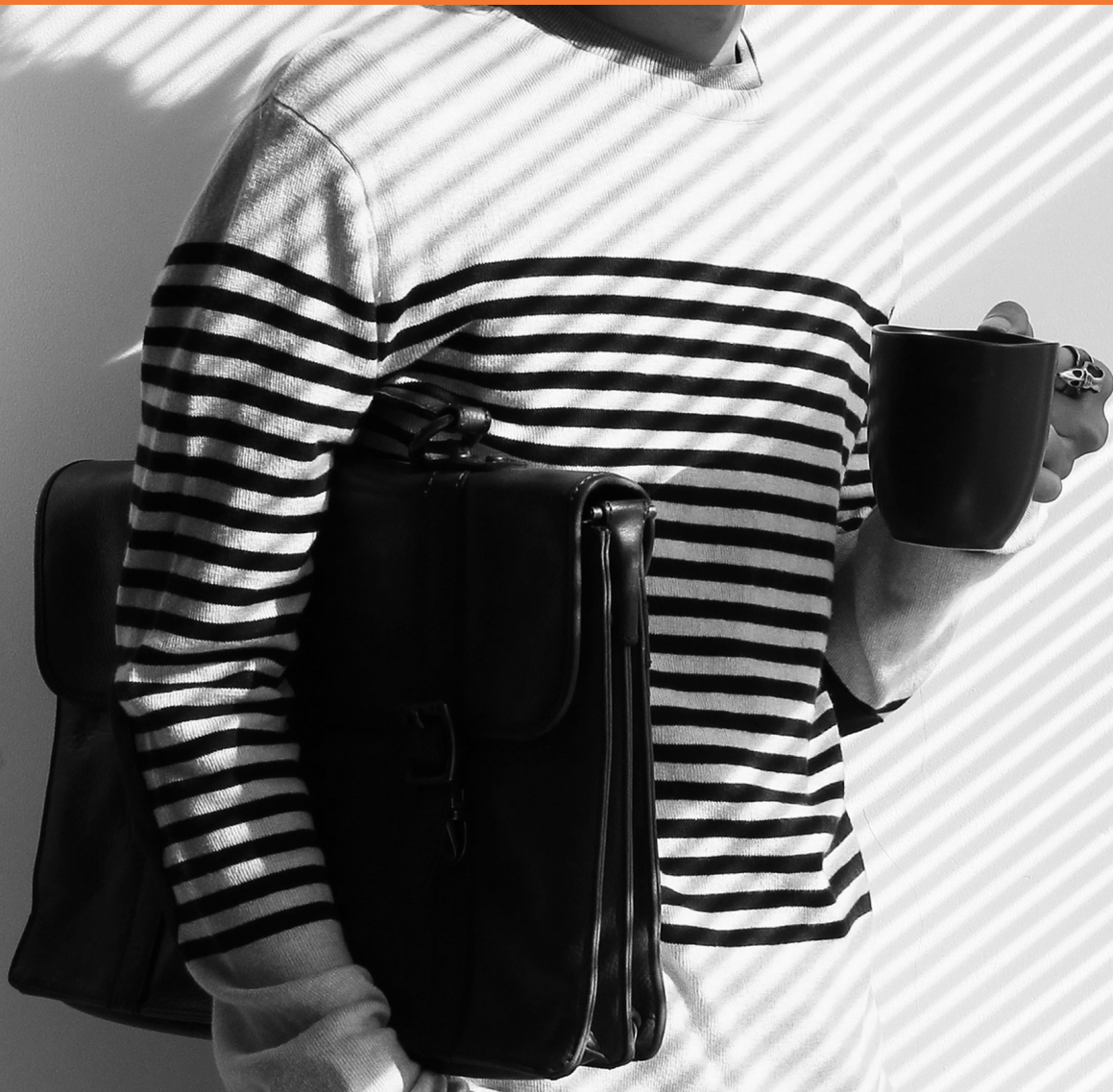
We are looking out  
for **YOU.**

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**YOU**  
matter.



NIBTT's priority is to protect our customers  
and secure their futures.



## Our Mission

To deliver meaningful social security products and services  
to our customers.



## Our Vision

Excellence in the provision of social security.





NIBTT's Leaders are  
**here to serve.**

# Core Values

**In serving our valued customers, we are guided by our core values, which identify what is truly important to us.**

- **Transparency**

We are honest, open, clear and timely in communicating and conducting our business affairs with each other, our customers and business associates.

- **Customer Satisfaction**

We recognise that meeting and exceeding the expectations of our customers must guide our decision-making and behaviour.

- **Loyalty**

We are committed to protecting the assets and ensuring the best interests of NIBTT, and will avoid doing anything to tarnish our reputation and corporate image.

- **Service Delivery**

We are committed to timely, high quality service.

- **Mutual Respect**

We value and respect each other as persons, professionals and team members, subscribing to the same mission, vision and values.

- **Employee Development and Recognition**

We support and value our employees, whose commitment and drive demonstrate a loyalty to the NIBTT's traditions of yesterday and the vision of tomorrow.

- **Integrity**

We are committed to high standards of personal and professional integrity and ethical behavior.

- **Trustworthiness**

We will be a company that is trusted by our stakeholders.

- **Fairness**

We strive to be fair and equitable in our treatment of all customers.

- **Teamwork**

We promote collaborative development as we work, learn and strive for excellence together.

# Corporate Information

## HEAD OFFICE

### NIB House

2A Cipriani Boulevard, Port of Spain  
Trinidad and Tobago, W.I.  
Tel: (868) 625-2171-8  
Fax: (868) 627-1787  
NIBTT Hotline: 625-4NIS (4647)  
Email: [customercare@nibtt.net](mailto:customercare@nibtt.net)  
Website: [www.nibtt.net](http://www.nibtt.net)

## BANKERS

### First Citizens

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

### PriceWaterhouseCoopers

6A Victoria Ave, Port of Spain

## SERVICE CENTRES

### Arima

Corner Woodford and Sorzano Streets

### Arima Collection Centre

Shops of Arima

### Barataria

35-36 Fifth Street

### Chaguanas

Market and Ramsaran Streets

### Couva

2 Captain Watson Street, Exchange Lots

## SERVICE CENTRES (cont'd)

### Point Fortin

7A Techier Main Road

### Princes Town

Marlson's Building, Charlotte and High Streets

### Rio Claro

Lalla's Building, Naparima/Mayaro Road

### St. James Collection Centre

Western Main Road

### Sangre Grande

Henderson Street

### Siparia

Grell Street

### South Regional

27 Harris Promenade, San Fernando

### Tobago

Rapid Response Building, Mount Marie Road,  
Scarborough

### Tunapuna

Eastern Main Road

### Woodbrook

4 Luis Street



# National Insurance Benefits

There are 23 benefits in seven categories.

## **Sickness**

The sickness benefit is paid to an insured person who is employed but unable to work and suffers loss of pay as a result of illness not related to an accident on the job. The period of illness must be certified by a registered medical practitioner and must be for four or more days. This benefit is intended to provide financial assistance during certified periods of illness. The benefit you receive, however, may not cover full loss of earnings.

## **Maternity**

The maternity benefit is paid to a pregnant insured woman using her National Insurance contributions. A special maternity grant, however, is paid to a pregnant woman using the father's contributions when the mother does not have sufficient contributions for the benefit. The pregnancy must have lasted at least 26 weeks or have resulted in a live birth. Both the maternity benefit and the special maternity grant are paid as a lump-sum. The maternity benefit consists of an allowance for up to 14 weeks and a grant per child, while the special maternity grant is a single payment per child.

## **Invalidity**

The invalidity benefit is paid to an insured person who is medically certified as unable to work for a year or more because of a mental or bodily disease or illness, not caused by a job related injury.

## **Employment Injury**

The employment injury benefit is paid to an insured person who is injured in the course of and as a result of his/her employment and comprises a range of individual benefits including Injury Benefit, Disablement Benefit, Death Benefit and Medical Expenses. These benefits are intended to provide financial

assistance for various contingencies in the case of a job related injury or accident. An insured person does not have to experience any loss of earnings in order to access these benefits.

## **Retirement**

The retirement benefit is paid to an insured person who has made contributions to the NIBTT and has attained retirement age. This benefit is intended to supplement one's retirement income and can either be in the form of a pension, payable for life, or a lump-sum/one-time grant payment. The number of contributions made over an insured's working life determines whether a pension or grant is paid. A pension is paid where the insured has a minimum of 750 contributions and a grant where the insured has contributed less than 750 contributions. The minimum pension or grant payable is \$3000.00.

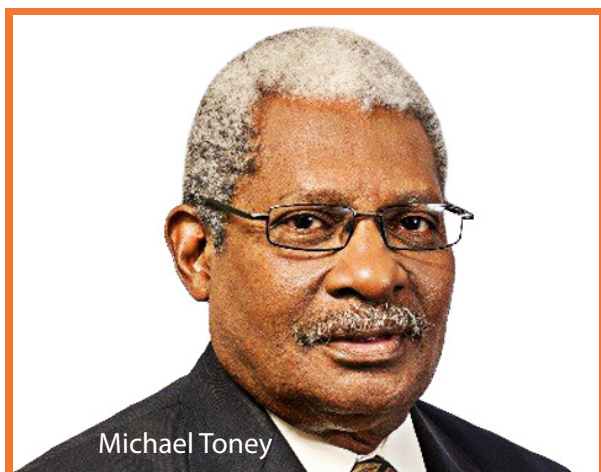
## **Funeral Grant**

The funeral grant is a lump-sum, one-time payment that is made to the person who met the costs of the funeral expenses for a deceased insured. It is intended to ease the funeral related costs for a deceased insured and does not include the cost of items such as food, flowers, rental of chairs, etc.

## **Survivors**

The survivor's benefit is paid to certain dependents of a deceased insured person who has died as the result of a non-job related accident. If the insured person died as a result of a job related accident or injury, a Death Benefit would be applicable. The benefit is payable to a widow, widower, child, stepchild, disabled child, orphan or dependent parent of a deceased insured person who has made at least 50 contributions. The survivor's benefit is intended to provide financial assistance in the event of the death of a breadwinner.

# Chairman's Review



## Financial Year ended June 30 2016

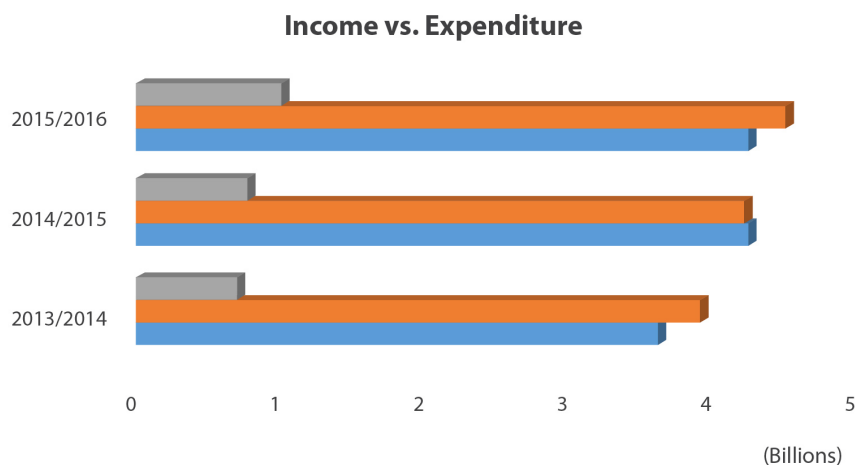
The Board of Directors (Board) of the National Insurance Board of Trinidad and Tobago (NIBTT) was reconstituted in December 2015 with the appointment of four new members, myself

included, following the General Election in September 2015.

Thereafter, the Board quickly focused on ensuring the sustainability of the National Insurance Fund, as well as making certain improvements in order to continue to provide excellence in our service to the public. In fact, the watchwords I have adopted as Chairman are Sustainability and Service, which have been enthusiastically supported by all members of the Board of Directors.

## THE NIBTT AS AT JUNE 30 2016

In order to understand what needs to be done to safeguard the National Insurance System (NIS), it is important to first appreciate its current state against the background of recent historical performance.

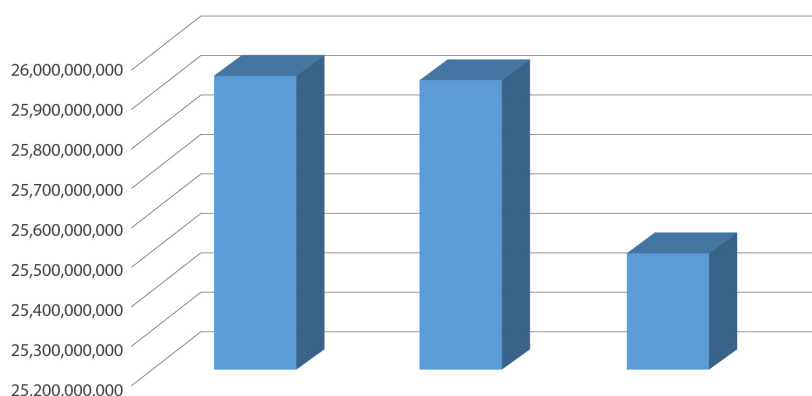


	2013/2014	2014/2015	2015/2016
■ Investment Income (Realised)	699.3	774.6	1,007
■ Benefit Expenditure	3,916	4,215	4,513
■ Contribution Income	3,624	4,261	4,251

In Financial Year 2013/2014, the Contribution Income collected was less than Benefit Expenditure. This difference was paid from the investment income that the NIBTT earned. In FY 2014/2015, the NIBTT was able to collect only slightly more than it was required to pay out, largely due to the implementation of

increased contribution rates. In FY 2015/2016, the Contribution Income collected was significantly less than Benefit Expenditure. This, once again, put pressure on the NIS as investment income had to be used to fill the gap between Contribution Income and Benefit Expenditure.

## Asset Base of the National Insurance System



\*The Asset Base of the NIBTT has continued to shrink year on year for the last three financial years.

As a measure geared towards protecting the NIS, the National Insurance Act requires the Board to ensure that Actuarial Reviews (AR) of the NIS are conducted at least every five years. The purpose of the AR is to estimate the future income and liabilities of the NIBTT based on certain economic and demographic assumptions. Using these projections, the sufficiency of future contributions to meet current and future obligations is analysed.

Given the rapid rate at which our environment changes, sometimes with little or no forewarning, ARs are now being conducted at three-year intervals.

The findings of the 9th AR of the National Insurance System of Trinidad and Tobago (as at 30 June 2013) brought some key issues to the fore:

- The NIBTT has an undefined market, as it is very unlikely that the number of employers on record is an accurate representation of the employer population in Trinidad and Tobago.
- Contribution collection must be strengthened in order to enforce compliance and positively impact fund sustainability.
- Contribution rates are not aligned with or linked to benefit rates.

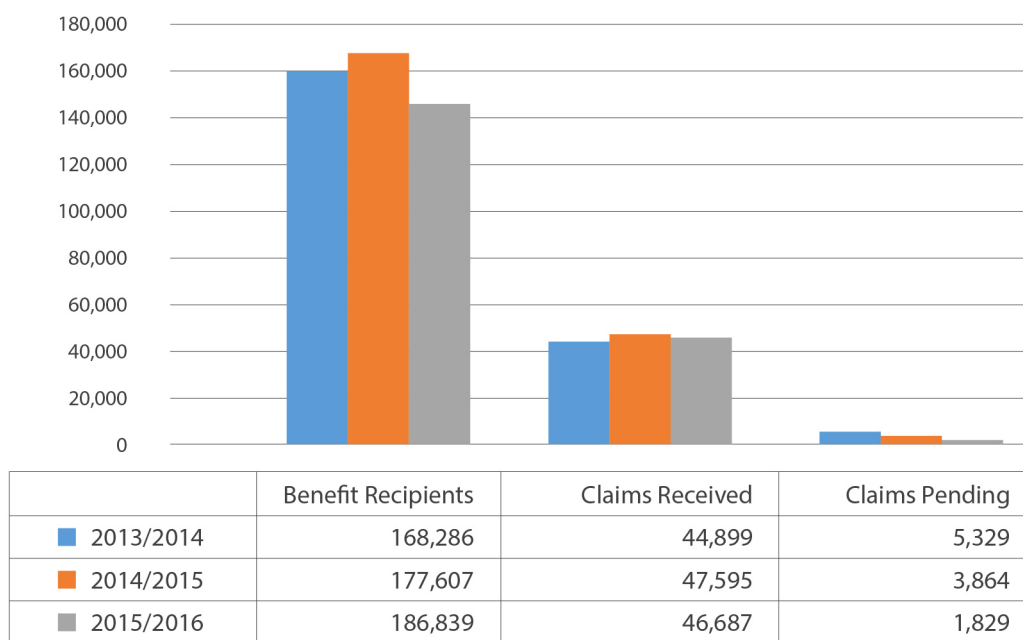
- Self-employed persons are currently excluded from the NIS, creating a market gap.
- The NIBTT's investments must be expanded through diversification of the investment portfolio in order to support the sustainability of the fund.

Importantly, the 9th AR made certain recommendations and forecasted that, without the implementation of those recommendations, after a period of years where expenditure will exceed revenue, the Fund will be exhausted by 2030.

As such, the Board and Management carefully analysed the findings of the 9th AR, agreed on the measures that need to be adopted and, through a series of sensitisation sessions held primarily in the latter half FY 2015/2016, the NIBTT's stakeholders were informed of these developments. One major reform implemented was the increase in the contribution rate from 12% to 13.2% from September 2016.

With respect to service delivery, one metric that can be used to analyse performance is the number of claims received versus the number of claims pending. Commendably, the number of claims pending was significantly reduced within the last three years.

### Claims Received vs. Claims Pending



### GOING FORWARD

The NIBTT's three-year Strategic Plan, titled "Vision 2016 – Building a Platform for Transformation," expired on 30 June 2016 and, thanks to the dedication and hard work of the Board, Management and Staff during the period 2014-2016, many of the objectives set for that period were achieved.

However, it is the duty of the current Board to build upon those achievements, and we have worked with Management to determine the strategy for the period 2017-2019, which culminated in the creation of Vision 2019 that sets out the following strategic objectives:

1. Maximise contribution income.
2. Maximise investment income.
3. Align contributions and benefits to enhance the long-term actuarial balance of the NIS.
4. Optimise the earnings potential of the NIBTT's subsidiaries.

5. Optimise the operating cost of the National Insurance Fund.

6. Enhance service delivery to improve customer service.

Clearly, if our day-to-day actions are based on observing the watchwords Sustainability and Service, these strategic objectives will be met and, in doing so, the NIBTT's mandate will be satisfied.

### CLOSING REMARKS

It would be remiss of me not to thank all the people who have contributed to the accomplishments of FY 2015/2016. While the NIBTT is not perfect, it is undeniably an institution that provides critically important services to the citizens of Trinidad and Tobago. I sincerely look forward to working with my fellow board members, the Management and Staff of the NIBTT and all other stakeholders, to ensure the longevity of the National Insurance System and the provision of improved services.

Michael Toney  
CHAIRMAN



## Our Corporate Structure

# Corporate Governance Structure

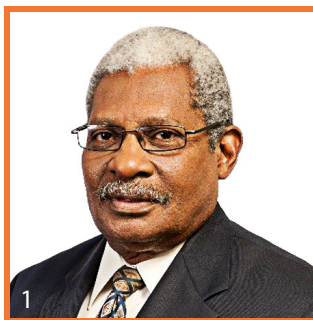
The NIBTT is governed by a tripartite Board with its investments managed by the Investment Committee.

## THE BOARD OF DIRECTORS

The Board of Directors is a tripartite body with equal representation by Government, Business

and Labour, an independent Chairman and the Executive Director, who is an ex-officio member. Directors are appointed for a period of not more than two years but may be reappointed. The NIBTT reports to Parliament through the Ministry of Finance.

## Board of Directors







1. Mr. Michael Toney  
– Chairman
2. Mr. Ruben McSween  
– Deputy Chairman (Business)
3. Mr. John Boisselle (Labour)
4. Ms. Margaret Gordon (Government)
5. Mr. Walton Hilton-Clarke (Business)
6. Mr. Selby Leslie (Government)
7. Mrs. Ermine De Bique-Meade (Labour)
8. Mr. Keston Nancoo (Business)

9. Mr. Pradeep Subrian (Government)
10. Ms. Ann Chan Chow (Labour)
11. Mrs. Niala Persad-Poliah  
– Executive Director (Ex-officio Member)
12. Mr. David Millette  
– Corporate Secretary

#### Alternates

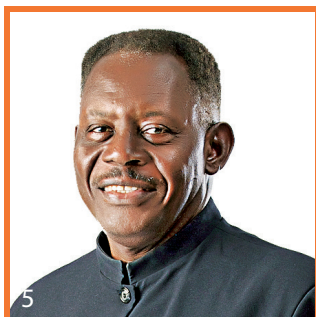
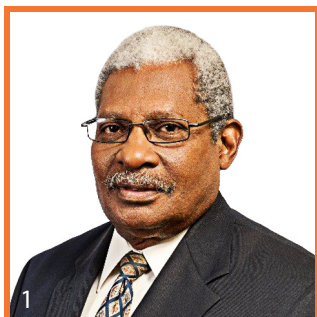
- Ms. Gwendoline Mc Claren (Business)
- Mr. Clyde Elder (Labour)
- Mr. Edison Munro (Labour)
- Mr. Inshan Nazim Ramsaroop (Government)

# Investment Committee

## COMMITTEES OF THE BOARD

The Board is responsible for the development of an appropriate framework to govern the operations of the NIBTT and do so through a number of measures, including the

establishment of Board Committees. These committees guide the development of specific functions and make recommendations to the Board.



### Investment Committee

1. Mr. Michael Toney  
– Chairman
2. Mr. Ruben McSween (Business)
3. Mr. Albert Vincent (Government)
4. Mrs. Ermine De Bique-Meade (Labour)
5. Mr. Sylvan Wilson (Labour)
6. Mr. Peter Clarke (Business)
7. Mr. Ian Saleem Narine (Government)
8. Mrs. Niala Persad-Poliah  
– Executive Director (Ex-Officio Member)
9. Mr. Navin Rajkumar  
– Executive Manager, Investments  
(Ex-Officio Member)

### **Tenders Committee**

Mr. Ruben McSween  
– Chairman

Mr. Inshan Ramsaroop (Government)

Mr. Edison Munroe (Labour)

Mrs. Niala Persad-Poliah  
– Executive Director (Ex-Officio Member)

Ms. Sarah Baboolal  
– Executive Manager, Legal Services  
(Ex-Officio Member)

### **Audit, Risk and Compliance Committee**

Mr. Selby Leslie (Government)

Ms. Ann Chan Chow (Labour)

Ms. Inez Sinanan (Business)

Mrs. Niala Persad-Poliah  
– Executive Director (Ex-Officio Member)

Mr. Davindra Marajh  
– Internal Auditor (Ex-Officio Member)

### **Human Resources Committee**

Mr. Keston Nancoo  
– Chairman (Business)

Mr. John Boisselle (Labour)

Mr. Albert Vincent (Government)

Mrs. Niala Persad-Poliah  
– Executive Director (Ex-Officio Member)

Ms. Sherma Gidaree  
– Executive Manager, Corporate Services  
(Ex-Officio Member)

### **Nominations Committee**

Mr. Michael Toney  
– Chairman

Mr. Albert Vincent (Labour)

Mr. Walton Hilton-Clarke (Business)

Ms. Ann Chan Chow (Labour)

### **FINANCIAL YEAR**

The financial year of the NIBTT is the 12 month period ending 30 June.

### **RELATED BODIES**

The National Insurance Appeals Tribunal

The National Insurance Appeals Tribunal (NIAT) is an independent body comprising 11 members appointed by the President of the Republic of Trinidad and Tobago in accordance with Section 60 of the National Insurance Act. This body functions as a tribunal of fact for persons aggrieved by decisions of the NIBTT with respect to their claims.

### **SUBSIDIARIES OF THE NIBTT**

National Insurance Property Development Company Limited (NIPDEC).....100%

NIPDEC is a fully owned subsidiary of the NIBTT. Its mission is to develop, manage and sell property, goods and services in partnership with the NIBTT and other organisations in Trinidad and Tobago, utilising a project management approach to bring value to their shareholders and stakeholders.

Home Mortgage Bank (HMB).....99.38%

HMB is a subsidiary of the NIBTT. Its purpose is to develop and maintain a mortgage market in Trinidad and Tobago; contribute to the mobilisation of long-term savings to support the development of a system of real property and housing finance; provide leadership in the home finance industry; and promote growth of the capital market.

Trinidad and Tobago Mortgage Finance Company Limited (TTMF).....51%

TTMF is a subsidiary of the NIBTT. Its mission is to provide mortgage financing for the purchase of residential properties.





Securing our customers'  
futures today.

# Executive and Senior Management Structure

## Executive Management Team



The Executive Director is the Chief Executive Officer of the NIBTT and is responsible for carrying out the decisions of the Board of Directors.

The Executive Director leads a team of executive managers who oversee the operations of the NIBTT.

## OPERATIONAL STRUCTURE

The operations of the NIBTT are divided into eight Business Units as follows:

- Investments
- Finance and Accounting
- Insurance Operations
- Planning, Policy and Actuarial Services
- Corporate Services
- Legal Services
- Technology
- Risk

There are also four departments that report to the Executive Director as follows:

- Corporate Projects
- Corporate Secretariat
- Corporate Communications
- Facilities, Services and Security

## EXECUTIVE MANAGEMENT TEAM

1. Niala Persad-Poliah  
– Executive Director
2. Navin Rajkumar  
– Executive Manager Investments
3. Brendon Nelson  
– Executive Manager Finance and Accounting
4. Feyaad Khan  
– Executive Manager Planning, Policy and Actuarial Services
5. Greta Stephen-Henry  
– Executive Manager Insurance Operations
6. Sherma Gidaree  
– Executive Manager Corporate Services
7. Ramlakhan Seecharan  
– Executive Manager Technology
8. Colin Santana  
– Executive Manager Risk
9. Sarah Baboolal  
– Executive Manager Legal Services

## SENIOR MANAGEMENT TEAM

### Office of the Executive Director

David Millette

– Corporate Secretary

Lauren Sandiford

– Assistant Corporate Secretary

Debra Modeste

– Executive Assistant (Ag.)

Clint Connelly

– Corporate Project Manager

Theresa Taitt

– Manager, Property and Support Services

Jennilynn Howe-Dopwell

– Manager, Corporate Communications

### Investments

Viveka Goolcharan

– Manager, Investments (Fixed Income)

Christopher Clarke

– Manager, Investments (Equities)

Amrit Seunarine

– Senior Investment Analyst

Cheryl Moreno-Archer

– Manager, Mortgages (Ag.)

### Finance and Accounting Business Unit

Karen Davis-Holder

– Financial Accountant

Jennifer Creese

– Manager, Budgets and Controls

Annabelle Holder

– Senior Accounting Analyst

### Risk Business Unit

Jacqui Castillo

– Enterprise Risk Manager

Donna Lawrence

– Manager Compliance



Moses Mohammed  
– Manager, Business Continuity, Risk (Ag.)

**Policy, Planning and Actuarial Services  
Business Unit**

Bernard Smith  
– Manager, Research and Development

Andy Edwards  
– Actuarial Associate

**Insurance Operations Business Unit**

Emrice Henry  
– Manager, Insurance Operations

Patricia George-Lezama  
– Area I, Operations Manager

Sherwin Williams  
– Area II, Operations Manager

Hilarie Hoyte  
– Area III, Operations Manager

Ryan Isava  
– Manager, Customer Relations

Patricia Charles  
– Manager Contribution Income

**Corporate Services Business Unit**

Michael Gopaul  
– Manager, Organisational Development

Jules Moore  
– Manager, Industrial/Employee Relations

**Legal Services Business Unit**

Ashook Balroop  
– Manager, Claims Investigation

Rishi Ramrattan  
– Manager, Procurement

Roger St. Rose  
– Legal Officer

Valini Dhanraj Chadee  
– Legal Officer

Nera Narine-Ramdeen  
– Legal Officer

Edmund Christo  
– Legal Officer

**Technology Business Unit**

Curtis Richards  
– Manager, IT Infrastructure

Kervyn Greaves  
– Database Administrator

Mikhail Noel  
– Manager, IT Development

Adrian Fortune  
– Manager, IT Security



# Executive Director's Report

**For the financial year 1 July 2015 to 30 June 2016**

## **SUSTAINABILITY**

The National Insurance Board of Trinidad and Tobago (NIBTT) performed commendably during the reporting period in spite of a challenging economic environment. This environment, combined with major job losses in key sectors, would have impacted on the number of employed persons contributing to the National Insurance System (NIS). Any change in labour market conditions which results in large numbers of persons losing their jobs will adversely impact the NIS as contributions are not remitted to the NIBTT on their behalf. In this regard, we must, therefore, adopt an even more vigilant approach to monitoring the prevailing economic and labour market conditions, in an effort to be proactive in our initiatives to counter any adverse developments.

Actuarial Reviews conducted over the years project that there will be a sharp increase in the number of retirees in the coming years. This trend is consistent with the global "ageing population" phenomenon, which is being driven by very low levels of fertility and compounded by increases in life expectancy. In response to this situation, we remain committed to ensuring the sustainability of the NIS through the timely implementation of the long-term and short-term recommendations arising out of our three-year actuarial valuations. We recognise that this must be combined with the prudent management of our investment portfolio and a robust compliance function to ensure the

preservation of the fund for generations to come. The most recent statistics show that approximately 13.4% of the population is over the age of 60. According to the 9th Actuarial Review of the NIS, it is projected that by 2025, 17% of the population will be 60 years or older, and this will rise to 20% by 2050. This, combined with declining levels of fertility and net emigration from Trinidad and Tobago, will eventually result in a reduction in the number of persons of working age, leading to declining levels of contribution income, even while benefit expenditure continues to expand with an increasing number of pensioners. In order to remedy this situation, a mix of short-term and long-term measures were proposed in the 9th Actuarial Review of the NIS as follows:

- Increase the retirement age slowly to 65 years over a period of 35 years;
- An initial increase in the contribution rate from 12% to 13.2%;
- Raise the maximum insurable earnings from \$12,000 to \$13,600.

Recommendations regarding the contribution rate and the maximum insurable earnings are due to be implemented fully during the ensuing financial year. With respect to increasing the retirement age, the NIBTT has acknowledged that implementation of such a measure requires extensive public engagement, stakeholder consultation and consideration of changes to policy at the national level.

During the reporting period, the NIBTT brought closure to its strategic plan "Vision 2016" and began to strategically review its operations with a view towards organisational transformation. We are proud to report that we ended the financial year with the approval of our new three year Strategic Plan "Vision 2019 – From Strategy to Action: Working Together". This plan offers a sound solution to turn strategy into action with a focus toward sustainability and enhancements to customer service.

In continuing our efforts to deliver customer service excellence, it is important to note that from July 2015 pensioners were no longer required to visit our Service Centres twice annually to submit proof of life. Key service initiatives undertaken in this Financial Year include the launch of an online facility to allow employers to remit contributions to the NIBTT from the comfort of their homes or offices; the roll out of a revised Customer Service Charter to front line staff; and the significant reduction of pending claims.

The NIBTT also conducted an independent external customer satisfaction study, which showed that overall there was a 92.2% satisfaction rating among our large and diverse customer base.

Benefit expenditure increased by 7.06% reaching \$4,513.24 million, which was paid to 186,839 benefit recipients, 153,823 of whom were long-term benefit recipients. It is important to also note that contribution income collected amounted to \$4,251.70 million, which was a marginal reduction when compared to the previous year.

A total of 18,650 new employees were registered under the NIS while there were 2,819 new employers entering the system.

Negotiations for staff for the period 1 January 2011 to 31 December 2013 were successfully completed, and significant strides were made toward the completion of a Business Continuity Plan and the development of critical operational and strategic policies.

#### **NIBTT's Insurance Operations Data and Fund Management**

Some of our key operational statistics include:

1. Customer base expanded by 4,240 persons or 0.63% to a total of 673,606 in FY 2016.

Performance Indicators	FY 2014	FY 2015	FY 2016	% Increase/Decrease 2014-2015	% Increase/Decrease 2015-2016
<b>Claims</b>					
Benefit Recipients	168,286	177,607	186,839	5.54%	6.63%
Long-Term Beneficiaries	137,481	144,804	153,823	5.33%	6.23%
New Claims Paid	38,261	43,565	43,554	13.86%	-0.03%
<b>Compliance</b>					
Customer Base	648,629	669,366	673,606	3.20%	0.63%
Contributors	519,636	516,926	514,561	-0.52%	-0.46%
Employers	20,229	20,829	20,479	2.97%	-1.68%
Employers Surveyed	4,601	4,126	4,589	-10.32%	11.22%
<b>Financial</b>					
Contribution Income	\$3,624.03m	\$4,261.47m	\$4,251.70m	17.59%	-.023%
Investment Income Realised	\$699.28m	\$774.6m	\$1,007.27m	10.77%	30.04%
Miscellaneous Income	\$2.88m	\$1.84m	\$2.32m	-36.11%	26.9%

Performance Indicators	FY 2014	FY 2015	FY 2016	% Increase/Decrease 2014-2015	% Increase/Decrease 2015-2016
Benefit Expenditure	\$3915.78	\$4,215.55m	\$4,513.24m	7.66%	7.06%
Administrative Cost	\$190.11m	\$204.99	\$226.00m	7.83%	10.25%
Administrative Cost as a % of Contribution Income	5.25%	4.81%	5.32%	-0.44	0.51
Administrative Cost as a % of Total Income	3.31%	4.66%	5.35%	1.35	0.69
Net Yield of Investment Portfolio (realised and unrealised)/Overall Investment Portfolio Return***	12.19%***	2.59%	1.81%	-9.60	-0.78
Total Funds	\$25.80b	\$25.74b	\$25.24b	-0.23%	-1.94%
Total Assets	\$25.94b	\$25.93b	\$25.49b	-0.04%	-1.70%

\* Percentage Points

\* Total income = contributions, investment, penalty and interest, and other income.

\*\*\* Return based on Investment Portfolio – excludes Cash Balances from NIBTT Pension Plan a/c, MAT Securities (Mortgages), Funeral Grant Cash Account and other cash accounts related to Insurance Operations.

- Active employer population decreased by 350 or 1.68% during FY 2016 to a total of 20,479.
- Contribution income in FY 2016 was 4,251 million, a decrease of 0.23% or \$9.77 million over last the figure recorded for the previous year.
- The number of beneficiaries increased by 9,232 or 5.20%, to 186,839 in FY 2016 compared with FY 2015.
- Benefit expenditure amounted to \$4,513.24 million, an increase of 7.06% or \$297.69 million over the previous year.
- Total funds reduced by 1.94% from \$25.74 billion as at 30 June 2015, to \$25.24 billion as at 30 June 2016.
- Total assets reduced by 1.70% from \$25.93 billion in 2015 to \$25.49 billion in 2016.
- Administrative expenses as a percentage of contribution income increased to 5.32% from 4.81% in FY 2015.

## CUSTOMER SERVICE DELIVERY

During the reporting period, a variety of strategies were adopted to further enhance the quality of our services to our customers. These strategies included the settlement of all outstanding claims received prior to FY 2015, a major accomplishment given that FY 2016 was the first year in approximately 10 years that ended with new claims no older than 18 months. Other key accomplishments included the roll out of a new Customer Service Charter to all frontline staff of our 14 service centres; the digitisation of older contribution records for claims processing; the implementation of a new risk-based approach to employer audits; and the assistance of more than 9,000 persons who provided relevant information to update their records in preparation for retirement.

Over 100,000 pensioners benefitted for the first time in FY 2016 from the partnership between the NIBTT and the Ministry of Legal Affairs' arrangement to use death records as a means of benefit control. These pensioners were no longer required to visit our Service Centres twice annually to certify that they were alive in order that their benefits remained undisrupted.

The combination of all these strategies resulted in 92.2% of surveyed customers in our annual customer satisfaction study, conducted by an independent provider, giving a favourable rating of their impression on the benefits and services offered by the NIBTT.

#### EMPLOYEE AND EMPLOYER REGISTRATION

The Service Centre network received 29,663 employee registration applications this financial period, a decrease of 1,060 or 3.5% when compared with last year's figure of 30,723. Of the 29,663 applications for processing in the financial year, all or 100% were determined. Of these, 18,650 or 63% were new insured persons who were added to the database this year.

During FY 2016, 2,831 employers submitted applications for registration, an increase of 381 or 16% when compared with the previous year's receipt of 2,450. A total of 2,852 applications were available for processing, 100% of which were determined. Of these, 2,780 or 99% were determined in one working day.

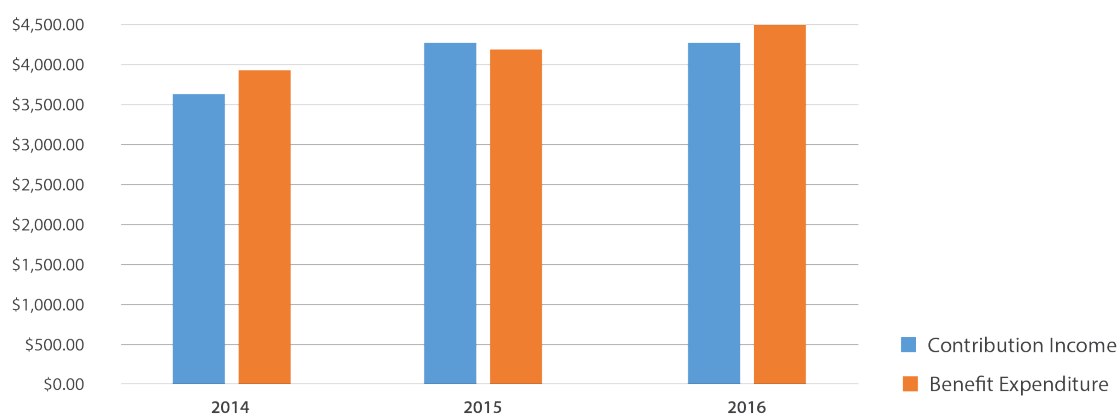
#### CONTRIBUTION INCOME

The unfavourable economic environment, which accounted for job losses during FY 2016, caused a concomitant reduction in the number of contributors and contribution income. However, compliance monitoring measures were adopted during the year, which mitigated the impact on revenue, resulting in a marginal reduction in contribution income. For FY 2016, contribution income decreased to \$4,251.70 million or 0.23% when compared to the \$4,261.47 million collected in FY 2015. In this regard, 20,479 employers paid contributions on behalf of 514,561 contributors, a decrease of 350 employers and 2,365 contributors over FY 2015.

#### BENEFIT ADMINISTRATION

Despite the fluctuations in contribution income, benefit expenditure has continued to increase consistently over the last few years. For the financial year, beneficiaries received a total of \$4,513.24 million in benefit payments, which represented an increase in expenditure of 7.06% over the previous reporting period.

**Contribution Income and Benefit Expenditure (TT\$million)**



#### Long-Term Benefits

The Long-Term Benefits branch showed an increase in the number of recipients and in the value of benefits paid. This group comprises Retirement Pension, Retirement Grant, Invalidity and Survivor's Benefit recipients, whose number increased by

9,019 or 6.23% from 144,804 in the previous year to 153,823 in FY 2016. Payment to this group totaled \$4,195.37 million or 92% of total benefit expenditure. The subsidisation of the \$3,000 minimum monthly retirement pension continues to significantly impact on the level of benefit expenditure.

## Long-Term Benefits Table

Benefit Type	Number of Beneficiaries	Benefit Expenditure	% of Total Long Term Beneficiaries	% of Total Long Term Expenditure
Retirement Pension	102,454	\$3,564.49m	66.61%	84.96%
Retirement Grant	6,175	\$205.76m	4.01%	4.90%
*Survivor's Benefit	41,105	\$351.64m	26.72%	8.38%
Invalidity	4,089	\$73.48m	2.66%	1.76%
<b>Total</b>	<b>153,823</b>	<b>\$4,195.37m</b>	<b>100%</b>	<b>100%</b>
<b>% of Total Beneficiaries</b>	<b>81.23%</b>			
<b>% of Total Benefit Expenditure</b>	<b>92.96%</b>			

\*Survivor's Benefit plus Survivor's Grant

### Short-Term Benefits

The Short-Term Benefits branch showed an increase in the number of recipients and in the value of benefits paid. This group comprises Sickness Benefit, Maternity Benefit, Special Maternity Grant and

Funeral Grant. The number of recipients of these benefits increased by 72 or 0.26% from 27,458 in the previous year to 27,530 in FY 2016. Payment to this group totalled \$236.26 million or 5.2% of total benefit expenditure.

## Short-Term Benefits Table

Benefit Type	Number of Beneficiaries	Benefit Expenditure	% of Total Short Term Beneficiaries	% of Total Short Term Expenditure
Sickness Benefit	11,548	\$49.66m	41.95%	21.02
Maternity Benefit	8,025	\$130.68m	29.15%	55.31
Special Maternity Grant	1,060	\$4.21m	3.85%	1.78
Funeral Grant	6,897	\$51.71m	25.05%	21.89
<b>Total</b>	<b>27,530</b>	<b>\$236.26m</b>	<b>100%</b>	<b>100%</b>
<b>% of Total Beneficiaries</b>	<b>14.54%</b>			
<b>% of Total Benefit Expenditure</b>	<b>5.23%</b>			

### Employment Injury Benefits

The Employment Injury Benefits (EIB) branch showed an increase in the number of recipients and in the value of benefits paid. This group comprises Disablement Pension and Grant, Death Benefit,

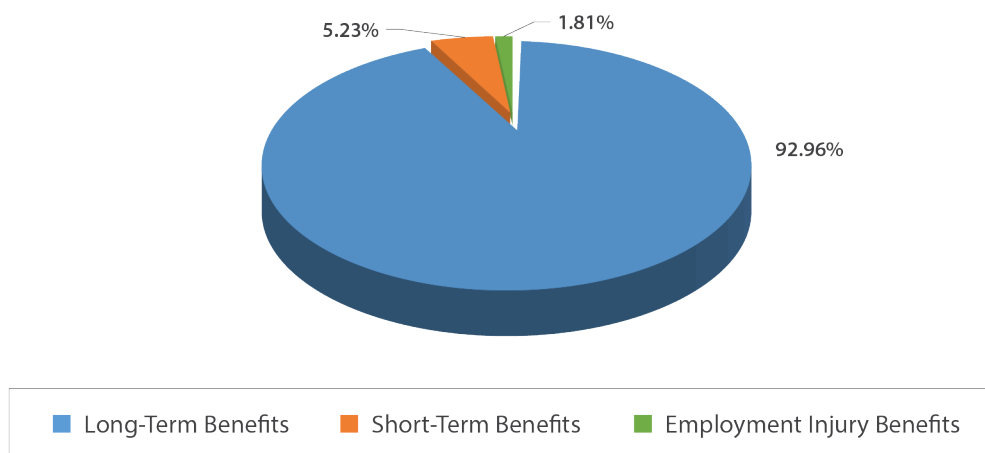
Medical Expenses and Employment Injury. The number of recipients of these benefits increased by 141 or 2.64% from 5,345 in the previous year to 5,486 in FY 2016. Payment to this group totalled \$81.61 million or 1.8% of total benefit expenditure.



## Employment Injury Benefits Table

Benefit Type	Number of Beneficiaries	Benefit Expenditure	% of Total EIB Beneficiaries	% of Total EIB Expenditure
Disablement Pension	3,261	\$51.06m	59.44%	62.57
Disablement Grant	105	\$2.00m	1.91%	2.54
Death	465	\$10.39m	8.48%	12.73
Medical Expenses	104	\$0.1m	1.90%	0.12
Injury Allowance	1,551	\$18.06m	28.27%	22.13
<b>Total</b>	<b>5,486</b>	<b>\$81.61m</b>	<b>100%</b>	<b>100%</b>
<b>% of Total Beneficiaries</b>	<b>2.94</b>			
<b>% of Total Benefit Expenditure</b>	<b>1.81%</b>			

## Benefit Expenditure FY 2016



## RECIPROCAL AGREEMENTS

### Canada and Trinidad and Tobago

During the financial year, 25 applications were made by persons in Canada accessing benefits from the NIBTT through Service Canada, and 255 applications were made through the Service Centres. A total

of 126 enquiries were received for persons in Canada accessing benefits in that country. For the financial year, no applications were received from persons in Trinidad and Tobago wishing to access benefits in Canada. As at 30 June 2016, there were 256 applications awaiting responses from Canada for persons applying for benefits from NIBTT.

### CARICOM and Trinidad and Tobago

Three applications were made through social insurance organisations in other CARICOM jurisdictions by persons accessing benefits from NIBTT, and 30 enquiries were received from CARICOM jurisdictions in respect of our benefits. No applications were received in Trinidad and

Tobago from persons wishing to access benefits in other CARICOM countries, and 64 applications by nationals of other CARICOM countries were made through the Service Centres accessing benefits locally. We await 45 responses in respect of persons applying for benefits from NIBTT under this agreement.

### INVESTMENTS

As at 30 June 2016, the NIBTT's Investment Portfolio stood at \$24.33 billion, representing a 2.80% decline compared to a market value of \$25.03 billion as at 30 June 2015. The key factor behind the \$701.66 million decline was withdrawals from the Investments Cash Account to pay benefits during the financial year along with unrealised losses.

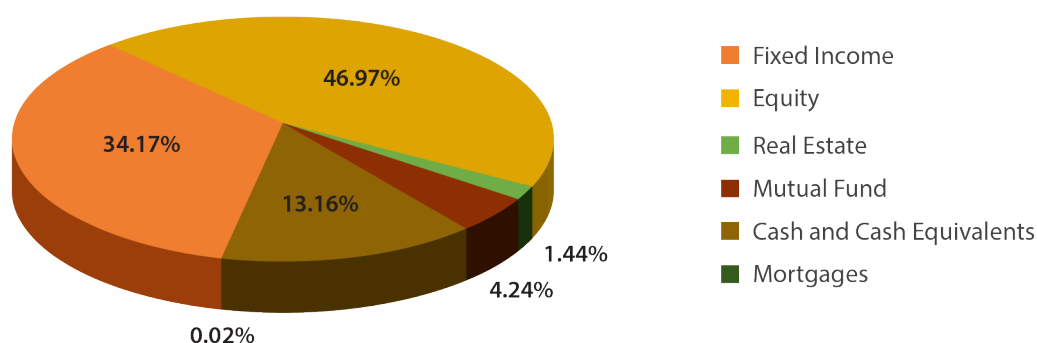
The Equity portfolio accounts for the largest asset class of the total fund and currently stands at \$11.43 billion, which declined by approximately \$105 million or 0.91% when compared to 30 June 2015. During the financial year, the NIBTT was successful in the TTNGI IPO, which was the largest investment in the local equity portfolio. Additionally, a decision was taken to engage international foreign fund managers to manage a portion of the international equity portfolio.

Due to the challenging local economic conditions, the domestic stock market - ALL T&T Index reported a total negative return of -5.60% for the financial year. As a result, the NIBTT's local equity portfolio was negatively impacted as the portfolio's largest holdings in RBL, Massy, SBTT and NEL, saw a combined market value decline of -2.70% on the total portfolio.

The Mutual Fund portfolio increased by \$69 million over the financial year, an increase of 7.18%. Furthermore, NIBTT played a significant role in the development of the local capital market with its participation of TT\$50 million in UTC's Macro Index Fund IPO.

As at 30 June 2016, the Fixed Income portfolio (excluding Tbills and OMOs) was valued at approximately TT\$7.77 billion and had a purchased yield to maturity of 5.05%. During the year, \$1.51 billion in new securities were purchased while \$534 million matured. The NIBTT's fixed income portfolio invests in high quality debt instruments as the portfolio is primarily invested in government and government guaranteed instruments and accounts for almost 63.10% of the fixed income portfolio. The local portfolio, however, was affected by an increasing TTD yield curve, mainly over the 10-15 year points, resulting in significant negative price movements for bonds held in the portfolio. In addition, T&T was downgraded by S&P and Moody's in late 2015 and early 2016 respectively, which would have contributed to the upward trend in the yield curve.

**Investment Portfolio Mix as at June 30, 2016**



Asset Class	Market value as at 30 June 2016	% of Portfolio
Fixed Income*	\$8,314,313,571	34.17%
Equity**	\$11,427,428,000	46.97%
Real Estate	\$351,224,000	1.44%
Mutual Fund	\$1,030,449,384	4.24%
Cash and Cash Equivalents	\$3,201,300,000	13.16%
Mortgages	\$5,929,125	0.02%
<b>Total</b>	<b>\$24,330,743,080</b>	<b>100%</b>

\*Fixed Income includes Treasury Bills and OMO's

\*\*Equity includes fair value of investment in subsidiary companies

The top two countries in which the portfolio is invested are Trinidad and Tobago (88%) and North America (11%). The largest areas of NIBTT's investments are Financials (35%) and Sovereign (25%).

During the financial year, the NIBTT adopted industry best practice for custodial services in the investment management industry by engaging an independent international custodian to provide safekeeping services for all of its international holdings in equity and fixed income assets held under both internal and external management.

Asset Class	Year on Year Movement of Total Unrealised Investment Income	
	2016-2015	2015-2014
Bonds	\$(443,610,000)	\$(237,021,640)
Equity	\$(922,822,000)	\$676,337,359
Subsidiaries	\$103,434,000	\$228,700,000
Other	\$215,038,000	\$18,254,592
<b>Total</b>	<b>\$(1,047,960,000)</b>	<b>\$(666,404,407)</b>

Asset Class	Year on Year Net Realised Investment Income	
	2016-2015	2015-2014
Interest Income	\$359,134,000	\$333,007,000
Dividend Income	\$399,948,000	\$361,783,000
Gain on sale of foreign equities	\$192,019,000	\$113,769,000
Gain/(loss) from FX	\$74,059,000	\$(28,669,000)

As highlighted in the table above, the asset classes that contributed to the majority of the net unrealised investment income movement over the period are equities and bonds. However, this negative unrealised movement was mitigated by an increase of TT\$232.68 million in realised investment income earned during the financial year from TT\$775 million in 2015 to TT\$1 billion in 2016. Key drivers for the portfolio's realised investment income were interest income from bonds, dividend income from our equity holdings, realised gains on the sale of international equities and the appreciation of the fund's US holdings.

The significant decline in unrealised income for the 12-month period ending 30 June 2016 was mainly due to the following factors:

- The rise in interest rates in the local economy, which negatively affected the market values of local bonds.
- The fall in equity prices in the local stock market negatively affected the local equity portfolio.

## TECHNOLOGY

During this financial year, the NIBTT was able to implement a system to facilitate employer online bank payments for paying their monthly NIS contributions as well as an online portal for the upload of the related data. This allows employers to fulfill their NIS obligations without having to leave the comfort of their homes or offices.

An enterprise platform was also implemented across all NIBTT locations to improve customer education and information by the placement of screens in customer areas of our offices, on which NIS related content can be disseminated to the public.

The accounting platform was also upgraded to a full Web-Enabled system to improve efficiency as well as security. Additional functionality included with the upgrade now also includes investments tracking, inventory management and an automated purchase order system that includes self-service options.

Improvements were also made to our underlying infrastructure and IT security controls. These improvements relate to the implementation of solutions to improve the resiliency of IT systems to ensure greater uptime, improved internal auditing and monitoring for security breaches. Additionally, all critical ICT policies were developed/reviewed during the period to enhance overall ICT governance.

We recognise that ICT is key to supporting improvements in all areas of operations and, as such, during the coming period, one of the major projects is the implementation of a full end-to-end ICT platform that integrates all areas of the business of the NIBTT.

## LEGAL

During financial year 2016, the NIBTT continued to adopt measures to bolster the likelihood of success in our litigation activities, optimise value for money in the procurement of goods and services and enhance the integrity of the national insurance claims process.

In the reporting period, litigation and debt enforcement actions had to be pursued strategically in the context of the changing employment activity due to declining economic conditions. This included the adoption of alternative dispute resolution where the circumstances were apt for this approach. As part of our litigation activities, a landmark decision of the

High Court as it relates to recovery of contributions from directors of defaulting companies was obtained reinforcing the avenues available to the NIBTT to ensure contribution income is not lost due to offending employers and those entrusted with the direction and control of employer businesses. Notably, judgments were also obtained in favour of the NIBTT in a number of criminal litigation (fraud) matters, which were before the courts for a lengthy time. These judgments emphasised the importance of safeguarding the National Insurance Fund from fraudulent attempts to benefit and the necessity of prosecuting offenders diligently to this end.

From our claims investigations operations, several millions of dollars in benefit payment were averted from wrongful payment as a result of the findings from carefully planned and executed investigations.

The NIBTT was also instrumental over this period in the legislative review exercise which informed the national insurance amendments for inclusion in the Finance (No. 2) Act to facilitate the changes to the contribution rate and maximum insurable earnings increases expected to take effect in the ensuing year. As the NIBTT focuses on innovative ways to ensure fund sustainability and deliver quality customer service, we will embark on a comprehensive review of the National Insurance Act in the upcoming financial year as a critical step to ensure the legal framework which governs the NIBTT can be reformed to better facilitate the organisation in ensuring a sustainable and relevant national insurance system.

## HUMAN RESOURCES

We are pleased to report that we were successful in settling negotiations with the recognised majority representative union, the Public Services Association, in FY 2016 for the period 1 January 2011 to 31 December 2013. Retroactive salaries for all active employees were effected.

Significant strides were also made in the area of staff training and development. All planned training programs were completed for staff at all levels. Arising out of an Assessment Development Centre (ADC) exercise both Executive and Senior Managers were exposed to training in Strategic Thinking as the organisation lays the necessary groundwork for future transformation.

Another major landmark in activities related to the management of human resources at the NIBTT was the approval of the Human Resources Transformation Plan during the financial year. The achievements outlined during the reporting year contributed to an employee satisfaction rate of 61.1% based on a survey conducted by an external provider.

Critical human resource policies were reviewed and approved. A handbook on Health and Safety was completed and made available to all staff.

As at 30 June 2016, the NIBTT had a staff complement of 649 persons, comprising 535 permanent employees, 109 temporary employees, and five persons on contract.

### **RISK MANAGEMENT**

The NIBTT functions within an environment characterised by continuous change and uncertainty, which requires constant monitoring and analysis of, and appropriate response to, potential and actual risks emanating from the internal and external environment. The NIBTT is intensely aware of the high performance standards that all stakeholders expect and the Board of Directors and Management view risk management as an integral part and an essential element of good corporate governance.

FY 2016 saw the expansion of the scope of the Risk Business Unit to include responsibility for Regulatory Compliance and Business Continuity Management (BCM). During the period the Enterprise Risk Management (ERM) Policy, which governs the organisation's approach to risk management, was updated to clarify the risk governance framework, include all procedures and forms, finalise the NIBTT's risk categories and the assignment and acceptance of risk ownership.

Following the designation in December 2014 of the NIBTT as a Systemically Important Financial Institution (SIFI), an on-site visit by the Central Bank was conducted in August 2015 to determine the level of oversight necessary and the recommended amendments to the NI Act and the Central Bank Act. The report from the CBTT has not been finalised and the NIBTT awaits further direction with regard to this designation. However, the NIBTT continues to manage the potential risk it may pose to the financial system by focusing on the strict management of

individual risks as well as the interdependencies of these risks and the linkages to the real economy.

### **BUSINESS CONTINUITY**

Administration of the NIS is of critical importance and, therefore, the NIBTT's capability to respond quickly and decisively in the event of a major unique business interruption or disaster is paramount. Accordingly, preparedness in the face of interruptions has become a strategic priority for the NIBTT as this is recognised as critical to securing the interests of all stakeholders. In this regard, the NIBTT engaged a consultant to support the development of a Business Continuity Management (BCM) framework in FY 2016. The initiative consisted of the development of a BCM governance framework, including a BCM oversight committee, an overarching policy, establishment of business continuity and disaster recovery plans, as well as testing and auditing methodologies. The design phase of the project was completed in June 2016 and the implementation of the BCM framework is expected to be completed by the end of FY 2017.

### **ACTUARIAL REVIEW**

The 9th Actuarial Review of the NIS was completed at the end of the previous financial year and, in July 2015, a thorough assessment of the report commenced. This resulted in the preparation of a detailed report, which assessed the recommendations that targeted improvement in the sustainability of the NIS. The NIBTT subsequently made presentations to the Minister of Finance and the Economy in August and September 2015, after which the following parametric short-term changes were approved:

1. An increase in the contribution rate from 12% to 13.2%.
2. An increase in the Maximum Insurable Earnings (MIE) from \$12,000 to \$13,600 along with a proportionate change in the class bands.

These changes will help improve the National Insurance Fund and are necessary to ensure NIS sustainability. The proposed changes were disclosed to the public in the National Budget Statement on 5 October 2015 for implementation on 4 July 2016. However, the implementation date was subsequently postponed to 5 September 2016.



During the second half of the financial year, the NIBTT engaged in sensitisation initiatives to inform key stakeholders of the measures proposed. Actuaries from the École Nationale d'Administration Publique (ENAP), the firm hired to conduct the 9th Actuarial Review, were the featured presenters for our external sensitisation exercise. Organisations representing our key stakeholders in Government, Labour and Business participated in the sensitisation sessions. Subsequent sensitisation sessions and public dialogue is a major ongoing initiative.

#### **APPRECIATION**

The employees of the NIBTT are our most valued asset and remain committed to serving the people of Trinidad and Tobago with care and compassion. In this regard, I extend my sincerest thanks to our devoted staff who, despite having not settled negotiations until the end of the financial year, continued to work diligently in service to our customers. The quality of service and performance improvements we accomplished this year could only have been achieved through their hard work and dedication.

I take this opportunity to also acknowledge the

astute leadership of the Chairman and Board of Directors, and thank them sincerely for their unwavering support during the reporting period, which culminated in the development of a new strategic plan: "Vision 2019." This strategic plan will guide us through the next three years with an emphasis on the sustainability of the NI system. The framework for this plan involved a solid foundation of empirical data through in-depth economic analyses, customer and employee surveys, the 9th Actuarial Review of the NIS and a review NIBTT's past corporate performance. Hence, we are confident that we have a very detailed and accurate roadmap for navigating challenges anticipated over the next three years.

As we embark upon "Vision 2019," we remain resolute in our commitment to improve on our past achievements, while keeping our vision set on the future and creating new avenues for excellence. We recognise that we are the custodians of a great portion of our nation's assets, resources and wealth and we are the custodians of a great legacy. We must, therefore, be forever cognisant of our duty of care to protect and preserve the National Insurance fund for generations to come.



**Niala Persad-Poliah**

Executive Director

**30 September 2016**





# Financial Statements

The National Insurance Board of Trinidad and Tobago

**Special Purpose Financial Statements**

30 June 2016

(Expressed in Trinidad and Tobago Dollars)





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# Statement of Management's Responsibilities

## Management is responsible for the following:

- Preparing and fairly presenting the accompanying Special Purpose Financial Statements of the National Insurance Board of Trinidad and Tobago (NIBTT), which comprise the Statement of Financial Position (as at 30 June 2016) and the Statements of Comprehensive Income, Cash Flows and Changes in Funds (for the year then ended), and a summary of significant accounting policies and other explanatory information.
- Ensuring that the entity keeps proper accounting records.
- Selecting appropriate accounting policies and applying them in a consistent manner.
- Implementing, monitoring and evaluating the system of internal control that assures security of the entity's assets, detection/prevention of fraud, and the achievement of entity's operational efficiencies.
- Ensuring that the system of internal control is operated effectively during the reporting period.
- Producing reliable financial reporting that comply with laws and regulations, including the National Insurance Act 35 of 1971.

- Using reasonable and prudent judgement in the determination of estimates.

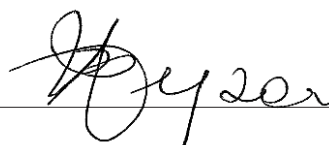
In preparing these audited special purpose financial statements, management utilised the financial reporting provisions of the National Insurance Act. Where the financial reporting provisions of the National Insurance Act are not clear, reference is made to the International Financial Reporting Standards, as issued by the International Accounting Standards Board and adopted by the Institute of Chartered Accountants of Trinidad and Tobago to determine the NIBTT's alternative accounting treatments. Where International Financial Reporting Standards presented alternative accounting treatments, management chose those considered most appropriate in the circumstances.

Nothing has come to the attention of management to indicate that the Board will not remain a going concern up to the date that the accompanying Special Purpose Financial Statements have been authorised for issue.

**Management affirms that it has carried out its responsibilities as outlined above.**



**Niala Persad-Poliah**  
Executive Director  
27 September 2016



**Brendon Nelson**  
Executive Manager Finance and Accounting  
27 September 2016



# Independent Auditor's Report On Special Purpose Financial Statements

## To The Directors of The National Insurance Board of Trinidad and Tobago,

We have audited the accompanying Special Purpose Financial Statements of The National Insurance Board of Trinidad and Tobago (NIBTT), which comprise the Statement of Financial Position (as at 30 June 2016) and the Statements of Comprehensive Income, Cash Flows and Changes in Funds (for the year then ended), and Notes, comprising a summary of significant accounting policies and other explanatory information.

### Management's Responsibility for the Special Purpose Financial Statements

Management is responsible for the preparation and fair presentation of these Special Purpose Financial Statements in accordance with the financial reporting provisions of the National Insurance Act (Act No. 35 of 1971) and the accounting framework as described in Note 4 of these Special Purpose Financial Statements and for such internal control as management determines is necessary to enable the preparation of Special Purpose Financial Statements that are free from material misstatement, whether due to fraud or error.

NIBTT's statutory responsibility is to prepare financial statements to be laid ultimately before the Parliament of Trinidad and Tobago as required by the National Insurance Act.

### Auditor's Responsibility

Our responsibility is to express an opinion on these Special Purpose Financial Statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the Special Purpose Financial Statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Special Purpose Financial Statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the special purpose financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the Special Purpose Financial Statements in order to design audit procedures that are appropriate for the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the Special Purpose Financial Statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the Special Purpose Financial Statements present fairly, in all material respects, the financial position of NIBTT as at 30 June 2016 and its financial performance and cash flows for the year then ended in accordance with the financial reporting provisions of the National Insurance Act and the accounting policies as set out in Note 4 of these Special Purpose Financial Statements.

### Basis of Accounting

Without modifying our opinion, we draw attention to Note 4 to these Special Purpose Financial Statements, which describes the basis of accounting. The Special Purpose Financial Statements are prepared to assist NIBTT to meet the requirements of the National Insurance Act. As a result, the Special Purpose Financial Statements may not be suitable for another purpose.

27 September 2016  
Port of Spain, Trinidad and Tobago

# Statement of Financial Position

(Expressed in Trinidad and Tobago Dollars)

		As at 30 June	
	Notes	2016 \$'000	2015 \$'000
<b>Assets</b>			
Property, plant and equipment	5	348,670	96,178
Investment properties	6	351,224	419,784
Investment in subsidiary companies	7	1,843,255	1,739,821
Financial assets at fair value through profit or loss	8	18,928,936	19,426,984
Mortgage advances	9	5,929	9,617
Property being developed for sale	10	31,997	46,931
Other assets	11	782,858	753,110
Cash and cash equivalents	12	3,201,399	3,436,199
<b>Total Assets</b>		<u>25,494,268</u>	<u>25,928,624</u>
<b>Funds, reserves and liabilities</b>			
Long-Term Benefits fund	13	23,875,856	24,495,067
Short-Term Benefits fund	13	468,284	463,841
Employment injury benefit fund	13	900,416	782,546
<b>Total funds</b>		<u>25,244,556</u>	<u>25,741,454</u>
Revaluation reserve	14	72,624	42,317
<b>Total funds and reserves</b>		<u>25,317,180</u>	<u>25,783,771</u>
Other liabilities	15	157,276	108,903
Post-employment benefit	16	19,812	35,950
<b>Total liabilities</b>		<u>177,088</u>	<u>144,853</u>
<b>Total funds, reserves and liabilities</b>		<u>25,494,268</u>	<u>25,928,624</u>

These Special Purpose Financial Statements have been authorised for issue on 22 September 2016.

Chairman

Executive Director

Executive Manager  
Finance & Accounting

The notes on pages 42 to 74 are an integral part of these Special Purpose Financial Statements.

The National Insurance Board of Trinidad and Tobago Annual Report 2016

# Statement of Comprehensive Income

(Expressed in Trinidad and Tobago Dollars)

		Year ended 30 June	
	Notes	2016 \$'000	2015 \$'000
<b>Income</b>			
Contributions			
Employers in compliance		3,868,193	3,935,016
Employers in arrears		383,803	326,486
Voluntary		145	148
		<u>4,252,141</u>	<u>4,261,650</u>
Refunds		<u>(440)</u>	<u>(181)</u>
<b>Total net contributions</b>		<u>4,251,701</u>	<u>4,261,469</u>
Net realised investment income	17	1,007,273	774,598
Net unrealised investment losses	18	(1,151,394)	(895,104)
Revaluation of subsidiaries		103,434	228,700
Penalties and interest		12,870	30,449
Miscellaneous income		<u>2,315</u>	<u>1,844</u>
<b>Total income</b>		<u>4,226,199</u>	<u>4,401,956</u>
<b>Expenditure</b>			
Benefits expenditure			
Long-Term		4,195,365	3,904,869
Short-Term		236,263	232,343
Employment Injury		<u>81,611</u>	<u>78,340</u>
<b>Total benefits expenditure</b>		<u>4,513,239</u>	<u>4,215,552</u>
Administrative expenditure			
Staff salaries, allowances and benefits	19	148,310	125,082
Board of Directors expenses		671	799
Depreciation		6,069	6,406
Other expenses	20	<u>70,945</u>	<u>72,703</u>
<b>Total administrative expense</b>		<u>225,995</u>	<u>204,990</u>
Other			
Pension expense	16	<u>11,497</u>	<u>14,843</u>
<b>Total other</b>		<u>11,497</u>	<u>14,843</u>
<b>Total expenditure</b>		<u>4,750,731</u>	<u>4,435,385</u>
<b>Shortfall of income under expenditure</b>		<u>(524,532)</u>	<u>(33,429)</u>
Re-measurement of defined benefit liability	16	27,634	(20,957)
Revaluation of property, plant and equipment	5	<u>30,306</u>	<u>—</u>
<b>Total comprehensive loss</b>		<u>(466,592)</u>	<u>(54,386)</u>

The notes on pages 42 to 74 are an integral part of these Special Purpose Financial Statements.

# Statement of Cash Flows

(Expressed in Trinidad and Tobago Dollars)

	Year ended 30 June	
	2016 \$'000	2015 \$'000
<b>Cash flows from operating activities</b>		
Shortfall of income under expenditure	(525,532)	(33,429)
Adjustments:		
Unrealised investment loss	1,151,394	895,104
Depreciation	6,069	6,406
Pension expense	11,479	14,843
Revaluation of subsidiaries	(103,434)	(228,700)
Profit from sale of property, plant and equipment	(157)	—
<b>Surplus before working capital changes</b>	<b>540,837</b>	<b>654,224</b>
Decrease in mortgage advances	3,688	8,651
Decrease/(increase) in property being developed for sale	14,934	(378)
Decrease in claims receivable	—	81,242
Increase in other assets	(29,748)	(179,859)
Increase in other liabilities	48,373	9,519
<b>Net cash generated by operating activities</b>	<b>578,084</b>	<b>573,399</b>
<b>Cash flows from investing activities</b>		
Proceeds from the sale of fixed assets	155	217
Purchase of property, plant and equipment	(5,948)	(12,041)
Purchase of investments	(5,631,008)	(6,577,524)
Sale/maturity of investments	4,823,917	5,499,481
<b>Net cash used in investing activities</b>	<b>(812,884)</b>	<b>(1,089,867)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(234,800)</b>	<b>(516,468)</b>
<b>Cash and cash equivalent at beginning of the period</b>	<b>3,436,199</b>	<b>3,952,667</b>
<b>Cash and cash equivalent at beginning of the period</b>	<b>3,201,399</b>	<b>3,436,199</b>

The notes on pages 42 to 74 are an integral part of these Special Purpose Financial Statements.

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# Statement of Changes in Funds

(Expressed in Trinidad and Tobago Dollars)

	Long-Term Benefits		Short-Term Benefits		Employment Injury Benefits		Total Funds	
June	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Fund at beginning of year	24,495,067	24,714,302	463,841	398,681	782,546	682,857	25,741,454	25,795,840
<b>Income</b>								
Contribution	3,784,014	3,792,707	255,102	255,688	212,585	213,074	4,251,701	4,261,469
Penalty income	12,575	29,799	93	204	202	446	12,870	30,449
Revaluation of subsidiaries	103,434	228,700	—	—	—	—	103,434	228,700
Realised investment income	984,157	758,068	7,320	5,177	15,796	11,352	1,007,273	774,597
Unrealised investment income	(1,124,972)	(882,007)	(8,367)	(4,101)	(18,055)	(8995)	(1,151,394)	(895,103)
Miscellaneous income	2,315	1,844	—	—	—	—	2,315	1,844
<b>Total income</b>	<u>3,761,523</u>	<u>3,929,111</u>	<u>254,148</u>	<u>256,968</u>	<u>210,528</u>	<u>215,877</u>	<u>4,226,199</u>	<u>4,401,956</u>
<b>Expenditure</b>								
<i>Benefits</i>								
<i>Expenditure</i>								
Retirement benefit	3,564,493	3,362,088	—	—	—	—	3,564,493	3,362,088
Survivors benefit	351,636	329,008	—	—	—	—	351,636	329,008
Invalidity benefit	73,477	74,619	—	—	—	—	73,477	74,619
Retirement grant	205,759	139,154	—	—	—	—	205,759	139,154
Funeral grant	—	—	51,711	53,303	—	—	51,711	53,303
Sickness benefit	—	—	49,666	46,455	—	—	49,666	46,455
Maternity benefit	—	—	130,681	126,708	—	—	130,681	126,708
Special maternity	—	—	4,205	5,877	—	—	4,205	5,877
Employment injury	—	—	—	—	81,611	78,340	81,611	78,340
	4,195,365	3,904,869	236,263	232,343	81,611	78,340	4,513,239	4,215,552
Administrative expense	201,136	182,441	13,559	12,299	11,300	10,250	225,995	204,990
Pension expense	11,234	14,527	83	99	180	217	11,497	14,843
<b>Total expenditure</b>	<u>4,407,735</u>	<u>4,101,837</u>	<u>249,905</u>	<u>244,741</u>	<u>93,091</u>	<u>88,807</u>	<u>4,750,731</u>	<u>4,435,385</u>
Excess O/C Income/Loss	(646,212)	(172,726)	4,243	12,227	117,437	127,070	(524,532)	(33,429)
Transfers	27,001	(20,510)	200	(140)	433	(307)	27,634	(20,957)
Fund at end of year	23,875,856	24,495,067	468,284	463,841	900,416	782,546	25,244,556	25,741,454

The notes on pages 42 to 74 are an integral part of these Special Purpose Financial Statements.



# Notes to the Special Purpose Financial Statements 30 June 2016 (Expressed in Trinidad and Tobago Dollars)

## 1. Incorporation and principal activity

The National Insurance Board of Trinidad and Tobago (NIBTT) was incorporated under the National Insurance Act No. 35 of 1971 (The National Insurance Act), as subsequently amended, and commenced operations in 1972. The principal activity of NIBTT 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.

## 2. Actuarial review

Section 70 (1) of The National Insurance Act requires an Actuarial Review of the National Insurance System (NIS) at intervals not exceeding five years. The 9th Actuarial Review was conducted as at 30 June 2013 and was completed by École Nationale D' Administration Publique Internationale (ENAP) as at 30 June 2015. The main objectives of this review were to assess the long-term financial condition of the National Insurance Fund and recommend possible ways to improve contribution and benefit provisions.

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.

The report was accepted by management and the Board of Directors and forwarded with management recommendations to the Minister of Finance and the Economy for his consideration in August 2015. Presently, the fund is meeting all of its obligations.

## 3. Legislative amendments

During the period, the following legislative amendments were proposed in line with recommendations of the 9th Actuarial Report:

- a. The increase in the maximum insurable earnings from \$12,000 to \$13,600. This increase is in the order of 13.3% and is intended to cover an additional \$1,600 of insured income, which is in line with the increase in the national wage;
- b. Maintenance of the minimum monthly retirement pension at its present level of \$3,000, at least until the beginning of 2017; and
- c. Increase in the contribution rate by 13.2%.

The increase in the contribution maximum earnings and the increase in the contribution rates were announced in the National Budget to take effect from 4 July 2016. However, this amendment only took effect on 5 September 2016.

## 4. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the Financial Statements are set out below. The policies have been consistently applied to all years presented, unless otherwise stated.

### a. Basis of preparation

These Special Purpose Financial Statements are prepared in accordance with the financial reporting provisions of The National Insurance Act. In cases where the financial reporting provision is not clear or does not address

**The notes on pages 42 to 74 are an integral part of these Special Purpose Financial Statements.**

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particular situations, reference is made to International Financial Reporting Standards (IFRS) for guidance in determining NIBTT's accounting policy. The Board and management of NIBTT are currently reviewing its financial reporting framework to determine whether it can, in the future, prepare its Special Purpose Financial Statements in accordance with IFRS.

These Special Purpose Financial Statements are the parent company unconsolidated financial statements of the NIBTT. NIBTT does not prepare consolidated financial statements. Further, these Special Purpose Financial Statements are prepared on the historical cost basis, except for the following items in the Statement of Financial Position:

- Financial assets at fair value through profit or loss are measured at fair value;
- Investment properties are measured at fair value;
- Investments in subsidiary companies are measured at fair value;
- Artwork and freehold properties classified as property, plant and equipment are measured at fair value;
- The defined benefit asset/liability is recognised as plan assets, plus unrecognised past service cost, less the present value of the defined benefit obligation and based on actuarial valuations.

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Information about critical estimates in applying accounting policies that have the most significant effect on the amounts recognised in the audited special purpose financial statements is included in Note 4n.

*b. Investments in subsidiary companies*

Subsidiaries are all entities over which the NIBTT has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. These are as follows:

Companies	Percentage ownership	
	2016	2015
National Insurance Property Development Company Limited (NIPDEC)	100%	100%
Trinidad and Tobago Mortgage Finance Company Limited (TTMF)	51%	51%
Home Mortgage Bank (HMB)	99.38%	99.38%

Investments in subsidiaries are initially recorded at cost and adjusted to fair market value based on valuations conducted by an independent professional valuator. Gains and/or losses arising from the change in fair value are included in the Statement of Comprehensive Income.

# Notes to the Special Purpose

## Financial Statements 30 June 2016 (Cont'd)

(Expressed in Trinidad and Tobago Dollars)

#### 4. Summary of significant accounting policies (Cont'd)

##### b. *Investments in subsidiary companies* (Cont'd)

Investments in subsidiaries are valued by an independent valuator and are based on the assumption that they will continue to operate as going concerns and that the principal activities and legal structure of the companies will remain unchanged.

##### c. *Foreign currency*

###### (i) *Functional and presentation currency*

Items included in these financial statements are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The financial statements are presented in Trinidad and Tobago Dollars, which is NIBTT's functional and presentation currency, unless otherwise stated.

###### (ii) *Foreign currency*

Transactions in foreign currencies are initially recorded at the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are expressed in Trinidad and Tobago Dollars at the rate of exchange ruling on the reporting date as obtained from the Central Bank of Trinidad and Tobago. All differences arising are taken to the Statement of Comprehensive Income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

##### d. *Cash and cash equivalents*

Cash and cash equivalents, for the purpose of the Statement of Cash Flows, represent cash and bank balances and highly liquid investments with a maturity period of three months or less.

##### e. *Financial assets*

NIBTT's financial assets and financial liabilities are recognised in the Statement of Financial Position when it becomes party to the contractual obligation of the instrument. A financial asset is derecognised when the right to receive the cash flows from the asset has expired or where NIBTT has transferred all the risks and rewards of ownership of the asset. A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. All "regular way" purchases and sales are recognised at settlement date.

###### (i) *Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss are subsequently carried at fair value based on quoted prices for investments traded in active markets; or valuation techniques, including recent arm's length transactions, discounted cash flows analysis and other valuation techniques commonly used by market participants, for investments not traded in active markets. Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate is a market related rate at the reporting date for an instrument with similar terms and conditions.

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Held for trading securities are initially recognised at cost and subsequently re-measured at fair value based on quoted bid prices at the reporting date. Where the instrument is not actively traded or quoted on an active market, fair value is determined using discounted cash flow analysis.

Gains and losses arising from sales and changes in fair values of these financial assets are recognised in the Statement of Comprehensive Income in the period in which they arise.

All related unrealised gains and losses are included in the Statement of Comprehensive Income. Interest earned is reported as interest income.

(ii) *Loans and advances*

Loans and advances are financial assets with fixed or determinable payments and are not quoted in an active market created by NIBTT providing money to a debtor other than those created with the intention of short-term profit sharing. Such assets are stated at amortised cost, net of any advances for credit losses using the effective interest method.

Loans and advances include mortgage advances. Mortgage advances are measured net of provisions for impairment. A mortgage advance is classified as impaired (non-performing) when there is objective evidence that NIBTT will not be able to collect all amounts due according to the original contractual terms of the loan. Objective evidence of impairment includes observable data that comes to the attention of NIBTT, such as:

- Significant financial difficulties of the borrower.
- Actual delinquencies.
- Adverse change in the payment status of a borrower.
- Bankruptcy or reorganisation by the borrower.

If there is objective evidence that an impairment loss on mortgage advance has been incurred, the amount of the allowance for impairment is measured as the difference between the carrying amount and the recoverable amount, being the present value of expected future cash flows, including amounts recoverable from guarantees and collateral, discounted at the original effective interest rate of loans.

The allowance that is made during the year, less amounts released and recoveries of bad debts previously written off, is charged against the revenue and expenditure accounts. When a loan is deemed uncollectible, it is written off against the related allowance for losses.

f. *Impairment of financial assets*

The carrying amounts of NIBTT's assets that are not carried at fair value, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated and an impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in the Statement of Comprehensive Income.

(i) *Losses on loans and advances*

NIBTT reviews its problem loans and advances at each reporting date to assess whether an allowance for impairment should be recorded in the audited Statement of Comprehensive Income. In particular, judgement by management is required in the estimation of the amount and timing of future cash flows when determining the level of allowance required.

# Notes to the Special Purpose Financial Statements 30 June 2016 (Cont'd) (Expressed in Trinidad and Tobago Dollars)

## 4. Summary of significant accounting policies (Cont'd)

### f. *Impairment of financial assets /*

#### (i) *Losses on loans and advances* (Cont'd)

Such estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

In addition to specific allowances against individually significant loans and advances, NIBTT also makes a collective impairment allowance where applicable, against exposures which, although not specifically identified as requiring a specific allowance, have a greater risk of default than when originally granted. This takes into consideration factors such as any deterioration in country risk, industry, and technological obsolescence, as well as identified structural weaknesses or deterioration in cash flows.

### g. *Investment properties*

Investment properties are properties held by NIBTT to earn rental income or for capital appreciation or both. Property held for a currently undetermined future use is regarded as investment properties as such property is regarded as held for capital appreciation.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions can be sold separately or leased out separately under a finance lease, the entity accounts for the portions separately as investment properties or property plant and equipment (Note 4h) respectively. If the portions cannot be sold separately, the property is investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Otherwise it is considered property plant and equipment (Note 4h). 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 statement of comprehensive income.

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

### h. *Property, plant and equipment*

Property held for future use as owner-occupied property, property held for future development and subsequent use as owner-occupied property, property occupied by employees and owner-occupied property awaiting disposal are deemed to be property, plant and equipment.

Property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses except for artwork and freehold properties, which are stated at valuations conducted by independent professional valuers every three years. Freehold properties were professionally valued in June 2016 using the investment method. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, only when it is probable that future economic benefits associated with the item will flow to NIBTT and the cost of the item can be measured reliably.

All other repairs and maintenance are charged to the Statement of Comprehensive Income during the financial period in which they are incurred.

The notes on pages 46 to 74 are an integral part of these Special Purpose Financial Statements.

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If an asset's carrying value is increased as a result of a revaluation, the increase is credited directly to reserve under the heading revaluation reserve. If an asset's carrying value is decreased as a result of a revaluation, the decrease is debited directly to equity to the extent of any credit balance existing in the revaluation reserve in respect of that asset. Any decrease in excess of this amount is recognised in the Statement of Comprehensive Income.

Additionally, for those assets that are revalued as at the balance sheet date, the accumulated depreciation for the revalued assets are credited to the revaluation reserve. The accumulated depreciation for revalued assets is therefore brought to zero.

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 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.
Machinery, equipment, furniture and fixtures	
Machinery	- 7.5% - 25%
Artwork and motor vehicles	- 25%

Gains and losses on disposal of property, plant and equipment are determined by comparing proceeds with their carrying amount and are recognised in the revenue and expenditure accounts.

i. *Properties being developed for sale (Inventory)*

Properties available for sale are carried at cost less provisions for impairment. The provision is estimated as the difference between the cost and the selling price of the units available for sale less the estimated cost to complete the units.

j. *Provisions*

Provisions for environmental restoration, restructuring costs and legal claims are recognised when the NIBTT has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole.

A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

# Notes to the Special Purpose

## Financial Statements 30 June 2016 (Cont'd)

(Expressed in Trinidad and Tobago Dollars)

### 4. Summary of significant accounting policies (Cont'd)

#### k. Basis of allocation

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

##### (i) Contribution income

Contribution income is allocated as follows:

	2016	2015
	%	%
Long-Term Benefits fund	89	89
Short-Term Benefits fund	6	6
Employment Injury Benefit fund	5	5
	100	100

##### (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.

##### (iii) Fund ratios

Based on the recommendations of the Eighth Actuarial Review and maintained in the Ninth Actuarial Review, NIBTT implemented the following: Short-Term Benefit fund and Employment Injury Benefit fund balances will be maintained at 2.0 times and 10 times the respective benefits incurred during the current year. The remaining excess of income over expenditure is to be allocated to the Long-Term Benefit fund.

These fund allocations are based solely on the ratios recommended by the independent actuary and do not represent NIBTT's liability to beneficiaries at 30 June 2016.

#### l. Revenue recognition

##### (i) Contribution and benefits

Contribution income is generally accounted for on the cash basis. An accrual is made at the balance sheet date to take account of all collections up to 15 July of the following year that relate to the current year. Contribution arrears and related penalty and interest are recognised when received as a result of uncertainty in collection and the challenge in estimating and determining contributors in default.

Benefit expenditure is generally accounted for on a cash basis. Benefits paid in the final month of the year, which relate to the following year, are reflected as a pre-payment at the statement of financial position date.

##### (ii) 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 12 months.

The notes on pages 48 to 74 are an integral part of these Special Purpose Financial Statements.

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m. *Employee benefits*

(i) *Short-term*

Employee benefits are all forms of consideration given by NIBTT in exchange for service rendered by its employees. These include current or short-term benefits, such as salaries, bonuses, NIS contributions, annual leave; non-monetary benefits, such as medical care and loans; post-employment benefits, such as pensions; and other long-term employee benefits, such as termination benefits.

Employee benefits that are earned as a result of past or current service are recognised in the following manner: short-term employee benefits are recognised as a liability, net of payments made, and charged as expense. Post-employment benefits are accounted for as described below.

(ii) *Post-employment*

NIBTT contributes to a defined benefit staff pension plan, which covers all qualifying employees. Members contribute 5% (2015: 5%) of their pensionable salaries to the plan, while NIBTT currently contributes 14% (2015: 14%). All permanent employees are eligible for membership and temporary employees are eligible under certain conditions.

The liability recognised in the Statement of Financial Position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation. In countries where there is no deep market in such bonds, the market rates on the government bonds are used. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. Past-service costs are recognised immediately in income.

n. *Determination of fair values*

A number of NIBTT's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods.

When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(i) *Financial assets at fair value through profit or loss*

As stated in Note 4e, financial assets at fair value through profit or loss are measured at their fair values based on quoted market prices. Where the instrument is not actively traded or quoted on recognised exchanges, fair value is determined using discounted cash flow analysis, recent arm's length transaction and other valuation techniques. Professional valuations are also used to value these securities. Where fair value cannot be reliably measured, the investment is stated at cost less impairment losses.

The NIBTT uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation techniques.

**The notes on pages 49 to 74 are an integral part of these Special Purpose Financial Statements.**

# Notes to the Special Purpose

## Financial Statements 30 June 2016 (Cont'd)

(Expressed in Trinidad and Tobago Dollars)

### 4. Summary of significant accounting policies (Cont'd)

#### n. Determination of fair values /

##### (i) Financial assets at fair value through profit or loss (Cont'd)

#### Level 1

Included in the Level 1 category are financial assets and liabilities that are measured in whole or in part by reference to published quotes in an active market. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis.

#### Level 2

Included in the Level 2 category are financial assets and liabilities that are measured using a valuation technique based on assumptions that are supported by prices from observable current market transactions and for which pricing is obtained via pricing services, but where fair values based on broker quotes, investments in private equity funds with fair values obtained via fund managers and assets that are valued based using its own models whereby the majority of assumptions are market observable.

#### Level 3

Included in the Level 3 category are financial assets and liabilities that are not quoted as there are no active markets to determine a price. These financial instruments are held at cost, being the fair value of the consideration paid for the acquisition of the investment, and are regularly assessed for impairment.

30 June 2016	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<i>Investment securities</i>				
Bonds	311,410	7,453,672	549,232	8,314,314
Equities	9,154,986	372,445	56,742	9,584,173
Mutual funds	979,221	—	51,228	1,030,449
	<u>10,445,617</u>	<u>7,826,117</u>	<u>657,202</u>	<u>18,928,936</u>

30 June 2015	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<i>Investment securities</i>				
Bonds	287,710	7,095,771	1,289,638	8,673,119
Equities	9,380,414	355,281	56,718	9,792,413
Mutual funds	910,911	—	50,541	961,452
	<u>10,579,035</u>	<u>7,451,052</u>	<u>1,396,879</u>	<u>19,426,984</u>

*Movements in Level 3 financial instruments measured at fair value.*

The notes on pages 50 to 74 are an integral part of these Special Purpose Financial Statements.

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	<b>2016</b>	<b>2015</b>
	<b>\$'000</b>	<b>\$'000</b>
Balance beginning of period	1,396,897	2,960,651
Foreign asset cash	—	(109)
Bond adjustment correction	24	609
Purchases	1,054,702	2,040,102
Repayments	(1,789,638)	(3,170,206)
Transfer out	—	(450,000)
Net unrealised (loss)/gain	(4,783)	15,850
Balance at end of period	<u>657,202</u>	<u>1,396,897</u>

*Transfers between Level 2 and 3.*

*For the year ended 30 June 2016, there was a transfer an asset (Unicomer and HDC bond transfer out between Level 2 and 3).*

(ii) *Investment in subsidiaries*

An external, independent valuation company, having appropriate recognised professional qualifications and experience was contracted to value NIBTT's investment in subsidiaries. In determining the value of subsidiaries, three valuation methods were considered. Under the market approach, the trading multiples method was applied; under the cost approach, the based valuation method; and under the income approach, the excess return model was used. The values derived from these approaches were considered baseline. The baseline values were then applied using an average of the lows and highs of each method. A price range was created and from these scenarios a point estimate was derived using probability estimates for each scenario.

(iii) *Investment properties and property, plant and equipment at fair value*

An external, independent valuation company, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued, was used by NIBTT to value its investment property portfolio. The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably and willingly.

(iv) *Other*

The carrying amounts of financial assets and liabilities, included under other assets, cash and cash equivalents and other liabilities, approximate their fair values because of the short-term maturities on these instruments. The carrying values of fixed deposits are assumed to approximate fair value due to their term to maturity not exceeding one year.

# Notes to the Special Purpose

## Financial Statements 30 June 2016 (Cont'd)

(Expressed in Trinidad and Tobago Dollars)

30 June 2016	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Properties, plant and equipment	— —	333,112	— —	333,112
Investment properties	— —	350,872	352	351,224
Investment in subsidiaries	— —	— —	1,843,255	1,843,255
	<u>— —</u>	<u>683,984</u>	<u>1,843,607</u>	<u>2,527,591</u>

30 June 2015	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Properties, plant and equipment	— —	80,800	— —	80,800
Investment properties	— —	358,373	61,411	419,784
Investment in subsidiaries	— —	— —	1,739,821	1,739,821
	<u>— —</u>	<u>439,173</u>	<u>1,801,232</u>	<u>2,240,405</u>

The notes on pages 52 to 74 are an integral part of these Special Purpose Financial Statements.



## 5. Property, plant and equipment

<b>Year ended 30 June 2016</b>	<b>Land freehold/ leasehold buildings \$'000</b>	<b>Machinery equipment furniture and fittings \$'000</b>	<b>Motor vehicles \$'000</b>	<b>Art \$'000</b>	<b>Total \$'000</b>
Cost/valuation at beginning of year	88,397	64,593	3,043	1,260	157,293
Purchases	2,935	2,559	454	—	5,948
Transfer from investment property	222,304	—	—	—	222,304
Revaluation	27,250	—	—	35	27,285
Adjustments/transfers	—	—	(452)	—	(452)
At the end of year	340,886	67,152	3,045	1,295	412,378
Accumulated depreciation at beginning of year	9,608	50,222	1,036	249	61,115
Current year charge	2,231	3,095	740	3	6,069
Revaluation	(2,770)	—	—	(252)	(3,022)
Disposal/adjustments	—	—	(454)	—	(454)
At the end of year	9,069	53,317	1,322	—	63,708
Net book value	331,817	13,835	1,723	1,295	348,670
<b>Year ended 30 June 2015</b>					
Cost/valuation at beginning of year	86,334	56,526	2,173	1,260	146,293
Purchases	2,063	7,798	2,180	—	12,041
Adjustments/transfers	—	269	(1,310)	—	(1,041)
At the end of year	88,397	64,593	3,033	1,260	157,293
Accumulated depreciation at beginning of year	5,921	47,649	1,717	246	55,533
Current year charge	3,687	2,573	(681)	3	5,582
At the end of year	9,608	50,222	1,036	249	61,115
Net book value	78,789	14,371	2,007	1,011	96,178

The notes on pages 53 to 74 are an integral part of these Special Purpose Financial Statements.

# Notes to the Special Purpose

## Financial Statements 30 June 2016 (Cont'd)

(Expressed in Trinidad and Tobago Dollars)

### 5. Property, plant and equipment (Cont'd)

Note:

Valuation of land and freehold and leasehold buildings has been expressed by way of open market values as determined by valuations conducted by independent, professional valuers every three years.

In 2014, the National Insurance Board of Trinidad and Tobago initiated the development of lands previously held for investment, situated at Queen's Park East, Port of Spain. During the current year a decision was taken that the development will see about 40% of the structure being used for Head Office operations and the other 60% to generate rental revenue. As a result, reclassification of the investment property to property, plant and equipment was made. The construction started in March 2015, with the structure being a Class A building with Leed Silver certification and projected to cost \$329 million with the handover to commence in January 2017.

The land being transferred is valued at \$76 million and the accumulated cost of the structure to-date is \$146 million. This financial year saw the value of the land falling by \$8 million with 2015 reflecting a gain of \$3.7 million. For 2016, no adjustments were reflected in the property valuation reserve. Prior to 2015, the investment property recognised \$28.5 million in valuation gains over the life of the asset.

### 6. Investment properties

	1 July 2016 \$'000	Additions \$'000	Appreciation/ depreciation in fair value \$'000	Reclassified to PPE \$'000	2016 \$'000
Buildings	193,059	85,245	(17,500)	(146,304)	114,500
Land	226,724	—	86,000	(76,000)	236,724
	<u>419,783</u>	<u>85,245</u>	<u>68,500</u>	<u>(222,304)</u>	<u>351,224</u>

	1 July 2015 \$'000	Additions \$'000	Appreciation/ depreciation in fair value \$'000	Adjustments \$'000	2015 \$'000
Buildings	128,721	74,265	(9,926)	—	193,060
Land	188,599	125	38,000	—	226,724
	<u>317,320</u>	<u>74,390</u>	<u>28,074</u>	<u>—</u>	<u>419,784</u>

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Rental income from investment properties during the year amounted to \$6.7 million (2015: \$6.5 million).  
Direct operating expenses incurred on investment properties during the year amounted to \$50.91 million (2015: \$15.91 million).

The valuation of the investment properties was conducted as at June 2016 by an independent professional valuator in accordance with the Royal Institute of Chartered Surveyors valuation – professional standards 2015.

The Income Approach, which considers a property's potential cash flow and analyses the present worth of the anticipated future benefits to the owner over an assumed holding period, was the methodology used to value the buildings.

The Market Approach and Residual Technique were utilised for the valuation of land. The Market Approach measures the value of a property by comparing recent sales or offerings of similar or substitute property and related market data. The Residual Technique begins with an estimate of gross proceeds of sale that are expected from the sale of developed lots in the proposed subdivision. All costs (hard and soft) associated with the development of the proposed subdivision, together with an allowance for entrepreneurial profit, are then deducted from the estimated gross proceeds of sale. Development costs obtained from engineers and entrepreneurial profit are based on discussions with developers. This technique was utilised in the valuation of the lands at Palmiste.

For all other properties, where the Market Approach was adopted, the value in the audited financial statements is based on its highest and best use.

# Notes to the Special Purpose

## Financial Statements 30 June 2016 (Cont'd)

(Expressed in Trinidad and Tobago Dollars)

### 7. Investment in subsidiary companies

The investments in subsidiary companies comprise the following companies, reported at fair value:

	2016 \$'000	2015 \$'000
NIPDEC	208,580	202,467
TTMF	449,966	420,224
HMB	1,184,709	1,117,130
	<u>1,843,255</u>	<u>1,739,821</u>

Movement in the carrying value of investments in subsidiaries is as follows:

2016	NIPDEC \$'000	TTMF \$'000	HMB \$'000	Total \$'000
Balance as at 30 June 2015	202,467	420,224	1,117,130	1,739,821
Purchases	—	—	—	—
Market Value adjustments	6,113	29,742	67,579	103,434
Balance as at 30 June 2016	<u>208,580</u>	<u>449,966</u>	<u>1,184,709</u>	<u>1,843,255</u>
2015	NIPDEC \$'000	TTMF \$'000	HMB \$'000	Total \$'000
Balance as at 30 June 2014	204,775	383,772	678,400	1,266,947
Purchases	—	—	244,173	244,173
Market Value adjustments	(2,308)	36,452	194,557	228,701
Balance as at 30 June 2016	<u>202,467</u>	<u>420,224</u>	<u>1,117,130</u>	<u>1,739,821</u>

The cost of investment in subsidiaries is as follows:

2016	NIPDEC \$'000	TTMF \$'000	HMB \$'000	Total \$'000
Balance as at 30 June 2015	25,000	7,200	244,430	276,630
Market Value adjustments	—	—	244,174	244,174
Balance as at 30 June 2016	<u>25,000</u>	<u>7,200</u>	<u>488,604</u>	<u>520,804</u>

Shares were purchased in 2014/15 in HMB to the value of \$244.2 million.

2015	NIPDEC \$'000	TTMF \$'000	HMB \$'000	Total \$'000
Balance as at 30 June 2014	25,000	7,200	244,430	276,630
Market Value adjustments	—	—	244,174	244,174
Balance as at 30 June 2015	<u>25,000</u>	<u>7,200</u>	<u>488,604</u>	<u>520,804</u>

Shares were purchased in 2014/15 in HMB to the value of \$244.2 million.

The notes on pages 56 to 74 are an integral part of these Special Purpose Financial Statements.

## 8. Financial assets at fair value through profit or loss

	2016 \$'000	2015 \$'000
Investments comprise:		
Bonds (8 a.)	8,314,314	8,673,119
Equities (8 b.)	9,584,173	9,792,413
Mutual funds (8 c.)	1,030,449	961,452
	<u>18,928,936</u>	<u>19,426,984</u>

The analysis below shows the composition of the various investment categories.

### a. Bonds

Foreign	69,953	101,102
Government	5,959,144	6,500,699
Corporate	2,285,217	2,071,318
	<u>8,314,314</u>	<u>8,673,119</u>

Local and corporate bonds earn interest at rates varying between to 0.89% and 12.25% (2015: 0.90% and 12.25%).

### b. Equities

Quoted		
Foreign	2,582,420	2,492,666
Local	6,572,566	6,895,322
Unquoted	429,187	404,425
	<u>9,584,173</u>	<u>9,792,413</u>

### c. Mutual funds

Quoted		
Foreign	80,321	31,749
Local	898,900	879,162
Unquoted	51,228	50,541
	<u>1,030,449</u>	<u>961,452</u>

The notes on pages 57 to 74 are an integral part of these Special Purpose Financial Statements.



# Notes to the Special Purpose

## Financial Statements 30 June 2016 (Cont'd)

(Expressed in Trinidad and Tobago Dollars)

### 9. Mortgage advances

	2016 \$'000	2015 \$'000
Mortgage balances are stated net of the provisions for impairment as follows:		
Gross mortgage advances	57,675	61,614
Provision for non performing advances	(51,746)	(51,997)
	<u>5,929</u>	<u>9,617</u>
The movement in the provision for non-performing advances:		
Provisions as at 1 July	51,997	50,627
Movement for the year	(251)	1,370
Provisions at end of period	<u>51,746</u>	<u>51,997</u>

Mortgage advances earn interest at an average effective rate of 8.00% (2015: 8.00%).

### 10. Property being developed for sale

In 2004, the NIBTT commenced development of a residential gated community in D'Abadie, O'Meara known as Riverwoods, comprising of single-family homes and townhouses. The construction of the single-family homes were divided into four phases, two of which have been completed. The two remaining phases are expected to be completed in 2017.

The carrying value of properties being developed for sale was arrived at as follows:

	2016 \$'000	2015 \$'000
Cost as at 1 July	59,625	59,625
Less provision for diminution in value	(27,628)	(12,694)
	<u>31,997</u>	<u>46,931</u>
The movement in the provision for diminution in value of property being developed for sale:		
Provisions as at 1 July	12,694	21,298
Cost written-off in the period	(2,029)	(17,969)
Estimated increase/(decrease) in costs to completion	16,963	9,365
Provisions at end of period	<u>27,628</u>	<u>12,694</u>

The notes on pages 58 to 74 are an integral part of these Special Purpose Financial Statements.

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## 11. Other assets

	2016 \$'000	2015 \$'000
<i>a. Other assets</i>		
Investment income receivable	59,734	53,366
Sundry debtors	61,709	35,765
Prepayments	325,787	275,970
Contributions receivable	335,628	388,009
Claims receivable	—	—
	<u>782,858</u>	<u>753,110</u>
<i>b. Clico Investment Bank Limited (CIB)</i>		
Gross amount	728,234	691,736
Provision for impairment	<u>(728,234)</u>	<u>(691,736)</u>
Carrying amount	<u>—</u>	<u>—</u>

Over the period September 2008 to January 2009, the NIBTT deposited sums of money with Clico Investment Bank Limited (CIB) as Investment Note Certificates (INC). In November 2009, legal action was initiated by the NIBTT due to breach on the part of CIB, claiming the sums of US\$102,506,129 and TT\$46,493,563. On 27 September 2011, judgement was awarded in favour of the NIBTT in the sums of both claims with interest at the rate of 6% per annum from the dates of maturity of each deposit to the date of judgement.

On or about October 2011, CIB was placed in compulsory liquidation and Deposit Insurance Corporation (DIC) appointed Liquidator.

By letters dated 23 July 2016, the DIC acknowledged and admitted the NIBTT's claims as follows:

- (i) TT\$45,200,876 and TT\$6,577,051 principal and interest respectively up to the date of appointment of the Liquidator (17 October 2011); and
- (ii) US\$99,652,121 and US\$14,943,218 principal and interest respectively.

DIC also advised that these amounts have been admitted by the Liquidator and are listed among the other unsecured creditors of Clico Investment Bank Limited – In Compulsory Liquidation for which settlement can take place only after the secured creditors have been settled. In light of this, the NIBTT has adopted a prudent approach and maintained the full provision on this debt established in 2013. The NIBTT remains committed to exhausting all efforts to recover this debt.

# Notes to the Special Purpose

## Financial Statements 30 June 2016 (Cont'd)

(Expressed in Trinidad and Tobago Dollars)

### 12. Cash and cash equivalents

	2016 \$'000	2015 \$'000
Cash at bank	1,595,662	1,865,849
Cash at bank (US\$)	1,526,942	1,391,829
Money Market Fund (TT\$)	2,437	101,117
Money Market Fund (US\$)	76,358	77,404
	<u>3,201,399</u>	<u>3,436,199</u>

### 13. Benefits fund

The benefits fund comprises the following funds:

- Long-Term Benefits fund, which is held to cover retirement pensions, retirement grants, invalidity and Survivor's Benefits in respect of qualifying persons.
- Short-Term Benefits fund, which is held to cover sickness and maternity benefits and funeral grants in respect of qualifying persons.
- Employment Injury Benefits fund, which is held to cover employment injury benefits to eligible insured persons.

As described in Notes 2 and 4, the benefits fund balances do not represent NIBTT's liability to beneficiaries, but instead reflect the allocation of the accumulated fund based on the application of certain ratios as advised by NIBTT's Actuary.

### 14. Revaluation reserve

The revaluation reserve reflects gains or losses on revaluation of freehold properties.

	2016 \$'000	2015 \$'000
Opening balance for the period	42,317	42,317
Revaluation of property	27,285	—
Write-back of depreciation	3,022	—
Closing balance for the period	<u>72,624</u>	<u>42,317</u>

### 15. Other liabilities

	2016 \$'000	2015 \$'000
Sundry creditors and accruals	1,44,837	97,053
Provision for other payables	12,439	11,850
	<u>157,276</u>	<u>108,903</u>

The notes on pages 60 to 74 are an integral part of these Special Purpose Financial Statements.

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## 16. Post employment benefit

The amounts recognised in the statement of financial position are as follows:

	2016 \$'000	2015 \$'000
<i>Net liability in balance sheet</i>		
Present value of defined benefit obligation	933,290	993,455
Fair value of assets	(913,478)	(957,505)
Deficit	19,812	35,950
Effect of asset ceiling	—	—
<b>Net defined benefit liability</b>	<b>19,812</b>	<b>35,950</b>
<i>Movement in present value of defined benefit obligation</i>		
Defined benefit obligation at start of year	993,455	958,041
Current service cost	19,846	19,706
Interest cost	48,906	47,277
Members' contributions	3,501	3,490
Past service cost	—	4,904
Re-measurements		
- Experience adjustments	(31,047)	(4,682)
- Actuarial (gains)/losses from changes in demographic assumptions	—	—
- Actuarial gains from changes in financial assumptions	(70,325)	—
Benefits paid	(31,046)	(35,281)
<b>Defined benefit obligation at end of year</b>	<b>933,290</b>	<b>993,455</b>

The defined benefit obligation is allocated between the Plan's members as follows:

Active	60%	58%
Deferred members	1%	1%
Pensioners	39%	41%
The weighted average duration of the defined obligation.	15.4 years	16.5 years

97% of the value of the benefits for active members is vested.

21% of the defined benefit obligation for active members is conditional on future salary increases.

The notes on pages 61 to 74 are an integral part of these Special Purpose Financial Statements.

# Notes to the Special Purpose

## Financial Statements 30 June 2016 (Cont'd)

(Expressed in Trinidad and Tobago Dollars)

### 16. Post employment benefit (Cont'd)

#### *Movement in fair value of plan assets*

	2016 \$'000	2015 \$'000
Fair value of plan assets at start of year	957,505	957,892
Interest income	47,438	47,349
Return on plan assets, excluding interest income	(73,738)	(25,639)
Board contributions	9,818	9,694
Members' contributions	3,501	3,490
Benefits paid	(31,046)	(35,281)
Administrative expense allowance	—	—
<b>Fair value of plan assets at end of year</b>	<b>913,478</b>	<b>957,505</b>
Actual return on plan assets	26,300	21,710

#### *Asset allocation*

Regionally listed equities (prices quoted on regional exchanges)	229,046	255,050
Overseas equities (developed markets outside of CARICOM)	105,009	106,403
TT\$ Gov't and Gov't Guaranteed bonds (no quoted market prices)	436,342	427,112
TT\$ corporate bonds (no quoted market prices)	87,129	61,295
US\$ bonds (no quoted market prices)	11,145	10,344
Mortgages (no quoted market prices)	79	76
Local equity/income	3,559	3,588
Cash and cash equivalents	41,169	93,637
<b>Fair value of plan assets at end of year</b>	<b>913,478</b>	<b>957,505</b>

All asset values as at 30 June 2016 were provided by the Plan's Investment Manager (First Citizens Asset Management Limited).

The majority of the Plan's government bonds were issued by the Government of Trinidad and Tobago, which also guarantees many of the corporate bonds held by the Plan.

*Expense recognised in profit or loss*

	<b>2016</b> <b>\$'000</b>	<b>2015</b> <b>\$'000</b>
Current service cost	19,846	19,706
Net interest on net defined benefit liability	1,468	(72)
Past service cost	—	4,904
Administrative expense allowance	—	—
<b>Net pension cost</b>	<b>21,314</b>	<b>24,538</b>

*Re-measurements recognised in other comprehensive income*

Experience (gains)/losses	(27,634)	20,957
Effect of asset ceiling	—	—
<b>Total amount recognised in other comprehensive income</b>	<b>(27,634)</b>	<b>20,957</b>

*Reconciliation of opening and closing balance sheet entries*

Opening defined benefit liability	35,950	149
Net pension cost	21,314	24,538
Re-measurements recognised in other comprehensive income	(27,634)	20,957
Board contributions paid	(9,818)	(9,694)
<b>Closing defined benefit liability</b>	<b>19,812</b>	<b>35,950</b>

**The notes on pages 63 to 74 are an integral part of these Special Purpose Financial Statements.**



# Notes to the Special Purpose

## Financial Statements 30 June 2016 (Cont'd)

(Expressed in Trinidad and Tobago Dollars)

### 16. Post employment benefit (Cont'd)

*Summary of principal assumptions as at 31 December*

	2016	2015
Discount rate	5.5%	5.0%
General salary increases	4.0%	4.0%
Salary increases due to age, merit and promotion	1.0%	1.0%
Total individual salary increases	5.0%	5.0%
Future pension increases	3.0%	3.0%
Life expectancy at age 60 for current pensioner in years		
- Male	21.0	21.0
- Female	25.1	25.1
Life expectancy at age 60 for current members age 40 in years		
- Male	21.4	21.4
- Female	25.4	25.4

*Sensitivity analysis*

	1%pa lower \$'000	1%pa higher \$'000
Discount rate	150,014	(117,820)
Future salary increases	(23,431)	27,064
Future pension increases	(105,045)	127,424

An increase of one year in the assumed life expectancies shown above would increase the defined benefit obligation at 30 June 2016 by \$22.0 million.

These sensitivities were calculated by re-calculating the defined benefit obligations using the revised assumptions.

#### *Funding*

The Board meets the balance of the cost of funding the defined benefit Pension Plan and the Board must pay contributions at least equal to those paid by members, which are fixed. The funding requirements are based on regular (at least every three years) actuarial valuations of the Plan and the assumptions used to determine the funding required may differ from those set out above. The Board expects to pay contributions of \$12.2 million to the Pension Plan during 2016/17. This increase is based on the completion of the negotiations for the outstanding period.

The notes on pages 64 to 74 are an integral part of these Special Purpose Financial Statements.

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**17. Net realised investment income**

	<b>2016</b>	<b>2015</b>
	<b>\$'000</b>	<b>\$'000</b>
Interest income	356,668	327,192
Dividend income	377,129	347,410
Rental income	6,697	6,550
Miscellaneous income	8,923	12,253
Income - mutual funds	11,962	13,665
Income - foreign equity	22,819	14,373
Income - foreign bonds	2,466	5,815
Gain on sale of foreign equities	192,019	113,769
Gain/(loss) from foreign exchange	74,059	(28,669)
Gain on sale of bonds	9,060	12,060
Total realised investment income	1,061,802	824,418
Investment expense	(54,529)	(49,820)
Net realised investment income	1,007,273	774,598

**18. Net unrealised investment losses**

	<b>2016</b>	<b>2015</b>
	<b>\$'000</b>	<b>\$'000</b>
Local equity	(702,537)	(241,900)
Foreign equity	(220,285)	(434,437)
Mutual funds	(20,827)	(10,330)
Gains from foreign exchange	165,409	—
Investment property valuation	68,500	28,074
Foreign bonds	1,956	511
Local bonds	(443,610)	(237,022)
	(1,151,394)	(895,104)

**19. Staff salaries, allowances and benefits**

	<b>2016</b>	<b>2015</b>
	<b>\$'000</b>	<b>\$'000</b>
Pension contributions	10,757	9,198
Salaries and other related expenses	125,826	104,114
Group health plan	2,012	1,916
National insurance contributions	5,580	5,560
Training	1,384	1,048
Travelling and subsistence	2,247	2,409
Other	504	837
	148,310	125,082

The notes on pages 65 to 74 are an integral part of these Special Purpose Financial Statements.

# Notes to the Special Purpose

## Financial Statements 30 June 2016 (Cont'd)

(Expressed in Trinidad and Tobago Dollars)

### 20. Other expenses

	2016 \$'000	2015 \$'000
Janitorial	2,606	2,755
Data processing services	2,963	1,163
Advertising and publicity	6,927	4,547
Bank charges	1,361	1,332
Electricity	2,940	2,788
Insurance	1,704	1,338
Legal and professional	9,668	9,136
Printing stationery and office supplies	1,888	2,527
Rent	8,350	7,867
Repairs and maintenance - equipment	2,713	1,741
Repairs and maintenance - premises	8,523	11,690
Security	8,527	7,974
Pension administration	3,544	3,642
Telephone	5,910	5,159
Other	3,321	9,044
	<u>70,945</u>	<u>72,703</u>

As at 30 June 2016, administrative expenses amounted to 5.31% (2015: 4.80%) of contribution income and this did not exceed the limit established by NIBTT of 7.5%.

### 21. Contingent liabilities and capital commitments

#### a. Pending litigation and outstanding appeals

As at 30 June 2016, there were certain legal proceedings outstanding against NIBTT. No provision has been made as professional advice indicates that it is unlikely that any significant loss will arise.

#### b. Industrial relations

A provision of \$32 million (2015: \$27 million) has been made in the accounts for wage negotiations up to June 2016 for bargaining units A & B staff, which has been completed and is anticipated to be paid in August 2016.

#### c. Capital commitments

Capital commitments consist principally of amounts relating to construction of the head office building of the National Insurance Board of Trinidad and Tobago at a total cost of \$345 million and the commencement of the construction of the Tobago office and mall facility in 2016/2017 at an estimated cost of \$220 million. Further, the Board executed contracts in the sum of \$29.9 million for the completion of phases 3 and 4 of the Riverwoods Housing Development Project, with the project expected to be completed in 2017.

	2016 \$'000	2015 \$'000
Capital commitments	<u>374,900</u>	<u>355,002</u>

The notes on pages 66 to 74 are an integral part of these Special Purpose Financial Statements.

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## 22. Related party transactions and balances

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operating decisions. These transactions were carried out on normal terms and conditions at market rates.

The following table provides the total amount of balances and transactions, which have been entered into with related parties for the relevant financial year.

### a. Transactions with related parties

During the years ended 30 June 2016 and 2015, NIBTT carried out the following significant transactions with related parties during the course of normal operations:

	2016 \$'000	2015 \$'000
Net investments/(redemptions) in debt of subsidiary companies	62,024	(157,446)
Interest received	38,829	49,421

### b. Balances due from related parties

The amounts due from related companies comprise of the following:

Balance due	395,014	479,248
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### c. Transactions with key management personnel

In addition to their salaries, NIBTT also provides non-cash benefits to executive officers and contributions to a post-employment defined benefit plan on their behalf. The key management personnel compensations are as follows:

Short-term employee benefits	3,654	2,170
Post-employment benefits	806	5,901

## 23. Taxation

The fund is established under the laws of Trinidad and Tobago and is not subject to income, capital gains or other corporate taxes. The fund's operations do not subject it to taxation in any other jurisdictions, except for withholding taxes imposed by certain countries on investment income and capital gains for investments domiciled in those countries.

## 24. Financial risk management

The NIBTT's activities expose it to credit risk, liquidity risk and market risk. Its principal financial instruments comprise investment securities, mortgage advances, fixed deposits, cash and cash equivalents and borrowings. Income earned from investments, together with the excess of contributions after benefits are paid, are used to earn above average interest rate margins through the investing in high quality, high yielding assets with acceptable levels of risk.

The notes on pages 67 to 74 are an integral part of these Special Purpose Financial Statements.

# Notes to the Special Purpose

## Financial Statements 30 June 2016 (Cont'd)

(Expressed in Trinidad and Tobago Dollars)

### 24. Financial risk management (Cont'd)

#### *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. NIBTT is mainly exposed to credit risk with respect to its mortgage portfolio, bonds and deposits.

NIBTT limits its exposure with respect to its bond portfolio by investing in only bonds issued by the Government of Trinidad and Tobago or institutions with high credit worthiness.

In respect to the mortgage portfolio, constant monitoring is also employed. The necessary contact with mortgagors is maintained to ensure that payments are received in a timely manner, where necessary mortgage re-scheduling is done, which considers the borrowers new financial position. In the event where recovery may seem doubtful, provisions are set aside to cover any potential losses.

The carrying amount of loans and advances, investment securities, matured deposits and cash balances at banks represent the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

#### *Loans and advances*

	2016 \$'000	2015 \$'000
<b>Mortgage advances</b>		
Gross amount	57,675	61,614
<i>Impaired</i>		
Gross amount	51,746	51,997
Allowance for impairment	(51,746)	(51,997)
	—	—
<i>Past due but not impaired</i>		
Gross amount	4,824	7,284
Past due comprises		
30-60 days	3,289	5,586
61-90 days	443	926
91-180 days	288	611
Over 180 days	804	161
Carrying amount	4,824	7,284
<i>Neither past due nor impaired</i>		
Gross amount	4,494	5,796

The notes on pages 68 to 74 are an integral part of these Special Purpose Financial Statements.

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NIBTT granted mortgages based on evaluations of the mortgagees' financial situation, and reports monthly on the exposure of potential losses from mortgages.

#### *Investment securities*

The amounts in relation to investment securities are neither past due nor impaired. As such, no provisions have been made against the amounts.

NIBTT holds collateral to cover its credit risks associated with specific investment securities considered most at risk.

The maximum exposure to credit risk for investment securities at the reporting date by sector was:

	<b>2016</b> <b>\$'000</b>	<b>2015</b> <b>\$'000</b>
<i>Concentration by location</i>		
Trinidad and Tobago	11,425,903	11,942,684
North America	69,953	149,562
Emerging markets	25,786	26,689
Total geographic concentration	<u>11,521,642</u>	<u>12,118,935</u>

The maximum exposure to credit risk for investment securities at the reporting date by location was:

	<b>2016</b> <b>\$'000</b>	<b>2015</b> <b>\$'000</b>
<i>Concentration by industry type</i>		
Cash and cash equivalent	3,201,399	3,436,199
Bonds	8,314,314	8,673,119
Mortgage advances	5,929	9,617
Total credit risk exposure	<u>11,521,642</u>	<u>12,118,935</u>

The Board has established a credit quality review process involving regular analysis of the ability of borrowers and other counterparties to meet interest and capital repayment obligations.

#### *a. Bonds*

The Board limits its exposure to credit risk by investing in liquid securities and with counterparties that have high credit quality. As a consequence, management's expectation of default is low.

The Board has documented investment policies, which facilitate the management of credit risk on investment securities and resale agreements. The Board's exposure and the credit ratings of its counterparties are continually monitored.

**The notes on pages 69 to 74 are an integral part of these Special Purpose Financial Statements.**



# Notes to the Special Purpose

## Financial Statements 30 June 2016 (Cont'd)

(Expressed in Trinidad and Tobago Dollars)

### 24. Financial risk management (Cont'd)

#### b. Cash and cash equivalents

Cash and cash equivalents are held in financial institutions which management regards as strong and there is no significant concentration. The strength of these financial institutions is continually reviewed by the Mark to Market Committee.

#### c. Receivables

Exposure to credit risk on receivables is managed through regular analysis of the ability of continuing customers and new customers to meet repayment obligations.

#### Liquidity risk

Liquidity risk is the risk that NIBTT will encounter difficulty in meeting obligations associated with financial instruments when they fall due under normal and stress circumstances. To mitigate this risk, the daily liquidity position for both operational and the payment of benefits is monitored to ensure that the bank accounts are adequately serviced. Transfers are done between bank accounts and the excess of contribution income over benefit payments are taken up and invested to earn above average interest rate margins through investing in high quality, high yielding assets with acceptable risk.

The following are the contractual maturities of financial liabilities:

	Up to one year \$'000	One to five years \$'000	Over five years \$'000	Total \$'000
<b>As at 30 June 2016</b>				
Other liabilities	157,276	—	—	157,276
<b>As at 30 June 2015</b>				
Other liabilities	108,903	—	—	108,903

Parliament mandated that benefit payments be made from current monthly contributions as per the National Insurance Act.

#### Market risk

#### Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. NIBTT is primarily exposed to interest rate risk with respect to its fixed rate debentures, government securities and bonds.

The notes on pages 70 to 74 are an integral part of these Special Purpose Financial Statements.

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At the reporting date, the interest rate profile of NIBTT's interest bearing financial instruments was:

<b>Asset allocation - 2016</b>	<b>&lt; 1 month \$'000</b>	<b>1 - 3 months \$'000</b>	<b>3mnths - 1 yr \$'000</b>	<b>1 yr - 5yrs \$'000</b>	<b>Over 5 years \$'000</b>	<b>Non- interest bearing \$'000</b>	<b>Grand Total \$'000</b>
Bonds (local)	211,842	169,609	831,884	2,600,415	3,881,378	—	7,695,128
Bonds (foreign)	—	—	—	69,952	—	—	69,952
OMO's	406,845	75,000	67,387	—	—	—	549,232
Equities (local)	—	—	—	—	—	7,001,753	7,001,753
Equities (foreign)	—	—	—	—	—	2,582,420	2,582,420
Mutual funds (local)	—	—	—	—	—	898,899	898,899
Mutual funds (foreign)	—	—	—	—	—	80,321	80,321
Investment income receivables	—	—	—	—	—	59,734	59,734
Cash and cash equivalents	2,860,760	78,795	—	—	—	261,844	3,201,399
<b>Total</b>	<b>3,479,447</b>	<b>323,404</b>	<b>899,271</b>	<b>2,670,367</b>	<b>3,881,378</b>	<b>10,884,971</b>	<b>22,138,838</b>

<b>Asset allocation - 2015</b>	<b>&lt; 1 month \$'000</b>	<b>1 - 3 months \$'000</b>	<b>3mnths - 1 yr \$'000</b>	<b>1 yr - 5yrs \$'000</b>	<b>Over 5 years \$'000</b>	<b>Non- interest bearing \$'000</b>	<b>Grand Total \$'000</b>
Bonds (local)	150,583	85,428	498,166	2,353,923	4,194,280	—	7,282,380
Bonds (foreign)	—	—	—	—	101,102	—	101,102
OMO's	310,629	—	179,009	800,000	—	—	1,289,638
Equities (local)	—	—	—	—	—	7,299,747	7,299,747
Equities (foreign)	—	—	—	—	—	2,492,666	2,492,666
Mutual funds (local)	—	—	—	—	—	929,703	929,703
Mutual funds (foreign)	—	—	—	—	—	31,749	31,749
Investment income receivables	—	—	—	—	—	53,365	53,365
Cash and cash equivalents	3,191,157	—	—	—	—	245,042	3,436,199
<b>Total</b>	<b>3,652,369</b>	<b>85,428</b>	<b>677,175</b>	<b>3,153,923</b>	<b>4,295,382</b>	<b>11,001,732</b>	<b>22,916,549</b>

The notes on pages 71 to 74 are an integral part of these Special Purpose Financial Statements.

# Notes to the Special Purpose

## Financial Statements 30 June 2016 (Cont'd)

(Expressed in Trinidad and Tobago Dollars)

### 24. Financial risk management (Cont'd)

#### *Fair value sensitivity analysis for variable rate instruments*

A change of 100 basis points in interest rates at the year-end would have increased/(decreased) the total funds by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2015.

	2016 100bp increase \$'000	2015 100bp decrease \$'000
<b>June 2016</b>	(400,198)	400,198
<b>June 2015</b>	(407,622)	407,622

#### *Currency risk*

The NIBTT is exposed to currency risk with respect to its investments in cash and cash equivalents denominated in United States Dollars. Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

The portfolio is monitored on a monthly basis.

NIBTT's exposure to foreign currency risk based on notional amounts was as follows:

	TT \$'000	US \$'000	Total \$'000
<b>As at 30 June 2016</b>			
<b>Assets</b>			
Cash and cash equivalents	1,598,100	1,603,299	3,201,399
Local bonds	7,501,952	742,408	8,244,360
Foreign bonds	—	69,953	69,953
Foreign equities	49,000	2,533,420	2,582,420
Local equities	6,628,789	372,964	7,001,753
Mutual funds	924,342	106,107	1,030,449
Mortgage advances	5,929	—	5,929
Other assets	782,858	—	782,858
<b>Total financial assets</b>	17,490,970	5,428,151	22,919,121
<b>Liabilities</b>			
Other liabilities	157,276	—	157,276
<b>Total financial liabilities</b>	157,276	—	157,276
<b>Net currency risk exposure</b>	17,333,694	5,428,151	22,761,845

The notes on pages 72 to 74 are an integral part of these Special Purpose Financial Statements.

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	TT \$'000	US \$'000	Total \$'000
<b>As at 30 June 2015</b>			
<b>Assets</b>			
Cash and cash equivalents	1,966,965	1,469,235	3,436,199
Local bonds	7,856,728	715,289	8,572,017
Foreign bonds	— —	101,102	101,102
Foreign equities	35,000	2,457,666	2,492,666
Local equities	6,943,971	355,776	7,299,747
Mortgage advances	9,617	— —	9,617
Other assets	764,158	— —	764,158
<b>Total financial assets</b>	18,479,452	5,157,506	23,636,958
<b>Liabilities</b>			
Other liabilities	108,903	— —	108,903
<b>Total financial liabilities</b>	108,903	— —	108,903
<b>Net currency risk exposure</b>	18,370,549	5,157,506	23,528,055

The following significant exchange rates were applied during the year:

	Average mid rate 30 June 2016	30 June 2015	Reporting date spot rate 30 June 2016	30 June 2015
USD	6.6508	6.3443	6.6508	6.3443

#### *Sensitivity analysis*

A 1% strengthening of TTD against USD at year-end would have increased/(decreased) the total funds by the amount shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2014.

	Total funds year ended 30 June 2016 \$'000	2015 \$'000
TTD	54,281	51,575

The notes on pages 73 to 74 are an integral part of these Special Purpose Financial Statements.

# Notes to the Special Purpose Financial Statements 30 June 2016 (Cont'd) (Expressed in Trinidad and Tobago Dollars)

## 24. Financial risk management (Cont'd)

A 1% weakening of the TTD against USD at year-end would have had the equal but opposite effect to the above currencies on the amounts shown above, on the basis that all other variables remain constant.

	2016 \$'000	2015 \$'000
TTD	<u>(54,281)</u>	<u>(51,575)</u>

## 25. Staff complement

The staff complement as at 30 June 2016 was 649 (2015: 650).

## 26. Subsequent events

There were no subsequent events noted by management up to the date of authorisation of the Special Purpose Financial Statements that require adjustment to or disclosure in these Special Purpose Financial Statements.

# Year in Review



Public Relations Assistant Sheldon Joseph conducts Educational Workshop at British American Insurance.



Andy Edwards presents the 9th Actuarial Review to external stakeholders.



Administrative Professional Week 2015 at Hyatt Regency.



9th Actuarial Review Presentation.



Cross-section of participants at NIBTT's Employer Workshop.



Staff members of the NIBTT's Head Office dressed in ethnic wear in celebration of Emancipation.



NIBTT's staff receives tokens at the 2015 Christmas Get-Together.



NIB Christmas Dinner 2015



Executive Manager of Finance and Accounting Services Brendon Nelson presents token to staff member.



Chairman of the NIBTT Michael Toney welcomes guests at the Christmas Get-Together 2015.



Marguerite Gordon joins NIBTT's Administrative Professionals for a photo following educational workshop.



NIBTT's staff participate in after-work fitness training sessions.



Public Relations Officer Radesh Bassant with members from Grenada, Barbados, SVG, Montserrat and Belize at the CARICOM Reciprocal Agreement in St. Vincent.



Christmas with Mr. and Mrs. Claus, theme of the NIBTT's Christmas Children's Party 2015.



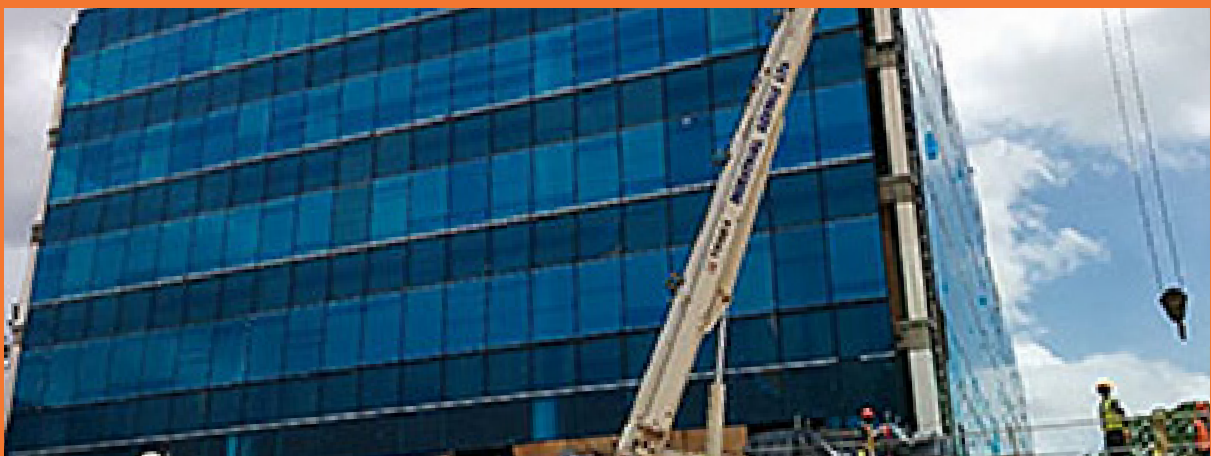
## Year in Review (Cont'd)



Concrete Raft Foundation July 2015.



Headquarters Construction December 2015.



Headquarters Construction June 2016.