



The National Insurance Board  
of Trinidad and Tobago

## Annual Report 2011

# *Embracing Change*





The National Insurance Board  
of Trinidad and Tobago

# Embracing Change

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# Mission

## "To deliver meaningful social security products and services to our customers"

In that regard, we are committed to professional and prudent management of the NIBTT's resources to ensure:

- access to an array of benefit products relevant to the needs of benefit recipients;
- benefit levels that are meaningful in terms of real purchasing power and poverty alleviation;
- affordable contribution rates for employers, employees and the self-employed;
- support for national social initiatives.

# Vision

## "Excellence in the provision of social security"

In striving for excellence we commit ourselves to:

- providing caring and courteous service to customers in safe, pleasant and convenient surroundings;
- efficient, effective and timely delivery systems;
- expanding coverage and the range of social security products we offer;
- ensuring financial sustainability through effective contribution income collection and prudent investment strategies that grow the National Insurance Fund;
- create an atmosphere of optimism, teamwork, resourcefulness and well-being for our employees.

## Core Values

### Customers and Other Stakeholders

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

### Employee Development and Recognition

We are a performance-driven organisation committed to facilitating the continuous development of all employees to their fullest potential.

### Mutual Respect

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

### Transparency

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

### Integrity

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

### Fairness

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

### Loyalty

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

### Teamwork

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



Head Office



## ...who we are

At the National Insurance Board of Trinidad and Tobago (NIBTT) our promise is to provide financial security to our stakeholders through the mandatory, publicly-managed social insurance system which offers affordable protection from contingencies arising out of loss of earnings, confinement, illness or injury, retirement and even death.

In doing so, we have the privilege of serving over 600,000 customers, and as we approach our 40th year we are proud of our achievements.



## Contact Information

### HEAD OFFICE

NIB House  
2A Cipriani Boulevard  
Port of Spain  
Tel: 625-2171 - 8  
Fax: 627-1787  
Email: [info@nibtt.net](mailto:info@nibtt.net)  
Website: [www.nibtt.net](http://www.nibtt.net)

### Human Resources

86 Duke Street  
Port of Spain  
Tel: 625-2171 - 8  
Fax: 624-8595

### NIS HOTLINE

663-4NIS (4647)

### SERVICE CENTRES

#### Arima

Cor Woodford & Sorzano Streets  
Tel: 667-2231 - 3  
Fax: 664-0844

#### Barataria

35-36 Fifth Street  
Tel: 638-3522/5008  
Fax: 674-6497

#### Chaguanas

Elenor Street  
Tel: 665-5848/5188  
Fax: 665-5188

#### Couva

2 Captain Watson Street  
Exchange Lots  
Tel: 636-2347  
Fax: 636-0820

#### Point Fortin

7A Techier Main Road  
Tel/Fax: 648-3128

#### North Regional

85 Abercromby Street  
Port of Spain  
Tel: 625-8302/8303/1034/2143/0445  
Fax: 625-8338

#### Princes Town

Marlson's Building  
Charlotte & High Streets  
Tel/Fax: 655-2226

#### Rio Claro

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

#### Sangre Grande

Henderson Street  
Tel: 668-4120  
Fax: 668-2719

### Siparia

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

### South Regional

27 Harris Promenade  
San Fernando  
Tel: 652-4247/2649  
Fax: 653-3033

### St. James

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

### Tunapuna

Eastern Main Road  
Tel: 662-4444/2514  
Fax: 662-5671

### Tobago

Scarborough  
Tel: 639-3842/3843/2155  
Fax: 639-3843

## Corporate Information

### 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

KPMG  
Scotia Centre  
56-58 Richmond Street  
Port of Spain  
Trinidad and Tobago, W.I.

### ATTORNEYS

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

Girwar and Deonarine  
Harris Court  
17-19 Court Street  
San Fernando  
Trinidad and Tobago, W.I.





## BOARD OF DIRECTORS

- Ravi Ramoutar - Chairman
- John Boisselle - Labour
- Lorna Charles - Executive Director
- Harry Hospedales - Government
- Ruben Mc Sween - Business
- Ann Chan Chow - Labour
- Sylvester Ramquar - Government (Deputy Chairman)
- Ermine De Bique-Meade - Labour
- Walton Hilton-Clarke - Business
- Albert Vincent - Government
- Seeram K. Maharaj - Business



The National Insurance Board  
of Trinidad and Tobago

Annual Report 2011

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Change

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# CORPORATE GOVERNANCE STRUCTURE

## BOARD OF DIRECTORS

The NIBTT is governed by a tripartite Board of Directors consisting of members nominated by Government, Business and Labour, the Executive Director as an ex-officio Member, headed by a Chairman, who in the opinion of the Minister of Finance is independent of Government, Business or Labour.

### Changes to the Board of Directors

The term of Walton Hilton-Clarke, Seeram K. Maharaj, Ruben Mc Sween, Joan John, Inez Sinanan, Michael Annisette, Alva Allen and Henry Sealy expired on October 12, 2010. The existing Board of Directors was appointed on December 2, 2010 for the period December 2010 to December 2012. Lorna Charles was appointed as Executive Director effective January 1, 2011.

## BOARD COMMITTEES

The Board is responsible for the development of an appropriate framework to govern the operations of the NIBTT through a number of measures including the establishment of Board Committees. These Committees undertake the development of specific functions and make recommendations to the Board. Notable Committees at the NIBTT include the Investment Committee, the Audit Committee, and the Tenders Committee.

### Investment Committee

Ravi Ramoutar	-	Chairman
Albert Vincent	-	Member
Ian Saleem Narine	-	Member (external Government)
Ruben Mc Sween	-	Member
Peter Clarke	-	Member (external Business)
Ermine De Bique-Meade	-	Member
Lorna Charles	-	Member
Ian Pemberton	-	Ex-officio Member

### Finance Committee

Ravi Ramoutar	-	Chairman
Seeram K. Maharaj	-	Member
Albert Vincent	-	Member
Ann Chan Chow	-	Member
Lorna Charles	-	Member
Esther Charles – Executive Manager, Finance and Business (Ag)	-	Ex-officio Member

### Tenders Committee

Sylvester Ramquar	-	Chairperson
Seeram K. Maharaj	-	Member
Ermine De Bique-Meade	-	Member
Lorna Charles	-	Member
Esther Charles – Executive Manager, Finance and Business (Ag)	-	Ex-officio Member

# CORPORATE GOVERNANCE STRUCTURE (cont'd)

## BOARD COMMITTEES (cont'd)

### Audit Committee

Harry Hospedales	-	Chairperson
Walton Hilton-Clarke	-	Member
Ann Chan Chow	-	Member
Lorna Charles	-	Member
Devindra Maharajh – Internal Auditor	-	Ex-officio Member

### Human Resources Committee

John Boisselle	-	Chairperson
Sylvester Ramquar	-	Member
Walton Hilton-Clarke	-	Member
Lorna Charles	-	Member
Cherrie Ann Crichlow-Cockburn – Executive Manager, Human Resources	-	Ex-officio Member

### Computer Projects Implementation Committee

Ruben Mc Sween	-	Chairperson
Albert Vincent	-	Member
John Boisselle	-	Member
Lorna Charles	-	Member
Ramlakhan Seecharan – Executive Manager, Planning and Technology (Ag)	-	Ex-officio Member

### Pension Plan Committee

Sylvester Ramquar	-	Chairperson
Karen Gopaul	-	Management Representative
Esther Charles	-	Management Representative
Kellon Wallace	-	Members' Representative
Sherwin Williams	-	Members' Representative

### Health and Safety Committee

Seeram K. Maharaj	-	Chairperson
Sylvester Ramquar	-	Member
Ann Chan Chow	-	Member
Lorna Charles	-	Member
Cherrie Ann Crichlow-Cockburn – Executive Manager, Human Resources	-	Ex-officio Member

### Accommodations and Land Development Committee

Harry Hospedales	-	Chairperson
Sylvester Ramquar	-	Member
Seeram K. Maharaj	-	Member
Ann Chan Chow	-	Member
Lorna Charles	-	Member
Esther Charles	-	Ex-officio Member

### Actuarial Review Committee

Sylvester Ramquar	-	Chairperson
Seeram K. Maharaj	-	Member
Albert Vincent	-	Member
Ann Chan Chow	-	Member
Lorna Charles	-	Member
Ramlakhan Seecharan – Executive Manager, Planning and Technology (Ag)	-	Ex-officio Member



# CORPORATE GOVERNANCE STRUCTURE (cont'd)

## FINANCIAL YEAR

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

## RELATED BODIES

The National Insurance Appeals Tribunal

The National Insurance Appeals Tribunal (NIAT) is an independent body comprising eleven (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 Board 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.

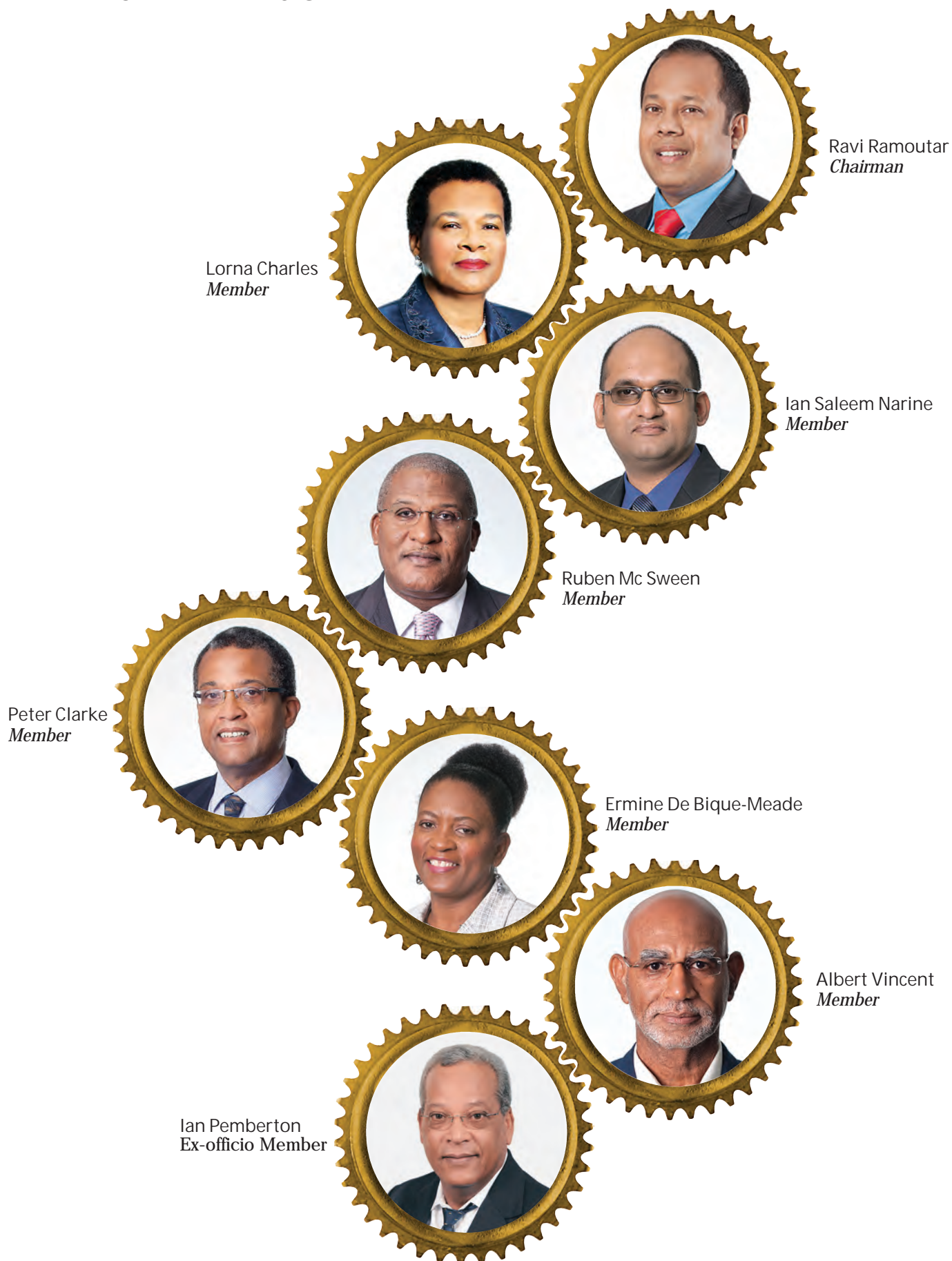
Home Mortgage Bank (HMB) 51.3%

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 for investment in housing, 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 & 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.

# INVESTMENT COMMITTEE







## CHAIRMAN'S REVIEW



*“As Chairman, I am proud of all of the achievements of the NIBTT during the financial year 2010 - 2011. The NIBTT remains financially strong even in these uncertain economic times having regard to our prudent investment strategies.”*



**Retirement...**  
*Ensuring peace  
of mind.*

*Our foundation enables  
us to look forward  
to a future that's secure,  
so we can honour our  
long-term promises  
to our customers.*



## CHAIRMAN'S REVIEW



**Ravi Ramoutar**  
Chairman

## Committed to Change

With the appointment of a new Board of Directors (the Board) in late 2010, I assumed the mantle of Chairman of the National Insurance Board of Trinidad and Tobago (NIBTT). I welcomed the return of the business representatives to the Board and embrace the new members, all of whom brought vigour and vitality and who continue in service to the people of Trinidad and Tobago.

As Chairman, I am proud of the achievements of the NIBTT during the financial year 2010 - 2011. The NIBTT remains financially strong in these uncertain economic times having regard to our prudent investment strategies. The Management and Staff of the NIBTT are committed to serving the people of Trinidad and Tobago and are desirous of maintaining our status as a premier provider of social security services in the Caribbean, year after year.

2011 marked another year of challenges. The NIBTT's position as a social insurance organisation enabled us to take a look at our financial sustainability and implement strategies designed to serve the best interests of our customers—the very reason that the NIBTT exists.

We are committed to executing a “breakthrough transformation” of NIBTT's business and are on track to achieving long-term strategic and financial goals. Leading a sizeable organisation is not for the faint-hearted; it requires extraordinary commitment and drive to achieve our goals.

In furtherance of these goals, the Board established a Health and Safety Committee and an Accommodations and Land Development Committee to keep under constant scrutiny the existing accommodations, and to identify and address areas requiring improvement.

## CHAIRMAN'S REVIEW (cont'd)

We believe that we must continue to innovate, enhance and expand our products and services to adapt to the changing needs of customers. Some of these initiatives include the establishment and strengthening of networks between the NIBTT and relevant Government institutions, improvement in other stakeholder relationships, streamlining of the National Insurance Contribution and Benefit structure, and the introduction of online services.

### LOOKING AHEAD

Our vision for the future must embrace change and reflect a bold commitment to understanding our customers' needs and wants, along with ongoing improvements in our delivery of services to them. This vision is now a fundamental part of how we think about every aspect of the NIBTT. As we look toward a new financial year, I pledge commitment to the Board of Directors, Management and Staff of the NIBTT as we embrace the challenges ahead to ensure that the Social Insurance System of Trinidad and Tobago remains accountable, relevant, transparent and viable.



**Ravi Ramoutar**  
Chairman

*"We believe that we must continue to innovate, enhance and expand our products and services to adapt to the changing needs of customers."*

A handwritten signature in black ink, appearing to read 'Ravi Ramoutar'.

**Ravi Ramoutar**  
Chairman







## Benefit Information

National Insurance contributors and their dependants can access 23 Benefits in the following categories:

### CATEGORIES

- Sickness
- Maternity
- Invalidity
- Employment Injury
- Retirement
- Funeral Grant
- Survivor's

### NIS BENEFITS

- Sickness Benefit
- Maternity Allowance
- Maternity Grant
- Special Maternity Grant
- Employment Injury Allowance
- Employment Injury Medical Expense
- Employment Injury Disablement Pension
- Employment Injury Disablement Grant
- Employment Injury Death Benefit-Widow
- Employment Injury Death Benefit-Widower
- Employment Injury Remarriage Grant
- Employment Injury Death Benefit-Child
- Employment Injury Death Benefit-Dependent Parent
- Invalidity Benefit
- Retirement Pension
- Retirement Grant
- Survivor's Benefit-Widow
- Survivor's Benefit-Widower
- Survivor's Benefit-Child
- Survivor's Benefit-Orphan Allowance
- Survivor's Benefit-Dependent Parent Allowance
- Survivor's Benefit-Remarriage Grant
- Funeral Grant





## EXECUTIVE DIRECTOR'S REPORT



“At the NIBTT, we know that sound financial decisions made today will enable us to provide our customers with a future that is secure. Prudent management practices dictate that we continue to actively pursue appropriate risk and investment management strategies to safeguard the financial sustainability of the NIS for future generations.”



## **Customers Service...**

*As tireless advocates for our customers, we are continuously building momentum, creating and investing in strategies to enhance the quality and scope of our services. Indeed, we are well poised to increase benefits and expand the range of social security products offered to the people of Trinidad and Tobago.*



## EXECUTIVE DIRECTOR'S REPORT

# Embracing Change

### OVERVIEW

The National Insurance Board of Trinidad and Tobago (NIBTT) demonstrated its strength and commitment to the people of Trinidad and Tobago during FY 2011 (July 1 2010 through June 30 2011) by generating excellent results for our stakeholders. As we embraced the changes within the organisation and the challenges associated with the macro-economic environment throughout FY 2011, the National Insurance System (NIS) continued to adapt and grow, maintaining a strong position in the financial sector. Notably, we closed the financial year with \$21.01Bn in Total Assets, an increase of \$2.43Bn or 13.08% over the \$18.58Bn Assets at the end of FY 2010. Investment Income accounted for \$1.91Bn of this significant increase in Total Assets. With this asset-base as a solid foundation, the NIBTT is positioned to provide increased benefits to our Nation's working population and their dependants.

The NIBTT's success in FY 2011 is directly linked to the synergy of a unique and tripartite Board of Directors, the resilience, tenacity and commitment of our Management and Staff and the support of our loyal customers.



Lorna Charles  
Executive Director

### Highlights of Our Performance

Payment of \$2.30Bn in National Insurance (NI) benefits representing a 5.50% increase when compared to the \$2.18Bn paid in FY 2010

Payment of NI benefits to 153,538 beneficiaries representing an increase of 4.21% over the FY 2010 figure of 147,342 beneficiaries

Collection of \$2.72Bn in contribution income which represents a 2.64% increase over the \$2.65Bn collected in FY 2010

Total assets of \$21.01Bn representing an increase of \$2.43Bn or 13.08% over the \$18.58Bn in FY 2010

Growth in total investment income to \$1.91Bn - a substantial increase of 95.31% over the \$997Mn received in FY 2010

Achievement on a return on the Investment Portfolio of 21.4%

Update of over nine (9) million NI contribution records and delivery of contribution statements to 161,242 insured persons

Verification and cheque printing of a monthly average of 125,000 benefit cheques for Senior Citizens Pensions, Public Assistance and Disablement Grants on behalf of the Ministry of the People and Social Development

Increased access to NI information by our customers through the NIS hotline and our informative and easy-to-access corporate website - [www.nibtt.net](http://www.nibtt.net) - where we received more than 3.45 million hits



## EXECUTIVE DIRECTOR'S REPORT (cont'd)

These results were achieved while containing administrative costs to \$128.47Mn or 4.72% of contribution income. This represents a four (4) percentage point decrease when compared with FY 2010 and is well below the target of 7%.

**Table 1: Key Indicators for FY 2011**

### CLAIMS

Beneficiaries	153,538
Long-Term Beneficiaries	122,656
Benefit Expenditure	\$2.30Bn

### COMPLIANCE

Customer Base	626,742
Contributing Insured Persons	484,979
Employers	19,107
Employers Surveyed	7,409

### INCOME AND YIELD

Contribution Income	\$2.72Bn
Net Investment Income (realised)	\$977.82Mn
Net Investment Income (realised & unrealised)	\$1.91Bn
Return on Investments	21.4%

### COST CONTAINMENT

Administrative Cost	\$128.47Mn
Administrative Cost as a % of Contribution Income	4.72%
Administrative Cost as a % of Total Income	3.46%

### ASSETS

Funds and Reserves	\$20.90Bn
Total Assets	\$21.01Bn

*"The NIBTT's success in FY 2011 is directly linked to the synergy of a unique and tripartite Board of Directors, the resilience, tenacity and commitment of our Management and Staff and the support of our loyal customers."*

### Embracing Change

During the first half of FY 2011, we welcomed the stewardship of our line Minister, the Honourable Winston Dookeran - Minister of Finance. We benefited from his vision and guidance as we continued to meet the challenges of functioning without a Board of Directors and Investment Committee for most of the first half of the financial year. Following the appointment of the Board of Directors and Investment Committee on December 2, 2010, and January 05, 2011 respectively, we engaged in the development of strategies to ensure that the NIBTT remains a financially strong institution, even while providing improved benefits under the guidance of our new Board of Directors.

### Responding to Challenges

FY 2011 has been characterised by a challenging financial and economic global market which significantly impeded the performance of financial institutions. Despite an investment climate which for the most part was unstable, our response remained optimistic and decisive and we achieved excellent results. Our vigilance in the collection of contribution income, and our conservative approach to investment, ensured that the NI Fund remained stable and secure.

As the global recession continued to cast shadows over FY 2011, we remained committed to the achievement of consistent returns over the long term and the building of our internal capacity to contribute meaningfully to the growth of the local financial market.





# EXECUTIVE DIRECTOR'S REPORT (cont'd)

## FINANCIAL PERFORMANCE

### Contribution Income

Despite the challenging economic climate, we saw moderate growth in contribution income to \$2.72Bn in FY 2011, from \$2.65Bn in FY 2010, representing a 2.64% increase. This was mainly as a result of the increase in contribution rates from 10.5% to 10.8% effective January 2010, as well as increases in salaries due to the settlement of wage negotiations in the public and private sectors. These contributions were paid by 19,107 employers on behalf of 484,979 persons engaged in insurable employment.

The collection of contribution income was supported by sustained public outreach and the conduct of 7,409 employer audits. Where necessary, recoveries and legal action against defaulting employers were vigorously pursued resulting in the collection of \$70.51Mn in outstanding contributions, penalties and interest.

**Table 2: Financial Indicators – Contribution Income**

INDICATORS	FY 2011 Actual	FY 2011 Target	FY 2010 Actual
Contribution Income	\$2.72Bn	\$2.69Bn	\$2.65Bn
Ratio of total administrative expenses to contribution income	4.72%	7.0%	4.76%

### Investment Income

The NIBTT realised investment income of \$977.82Mn, an increase of \$130.51Mn or 15.40% when compared with \$847.31Mn realised in FY 2010. We earned a total investment income (realised & unrealised) of \$1.91Bn, an increase of \$931.19Mn or 95.31% when compared with \$977.02Mn in FY 2010.

This significant increase in Investment Income was primarily due to a rebound of share prices on the local Stock Exchange, resulting in unrealised income of \$707Mn and an increase in earnings on overseas investments amounting to \$364Mn.

**Table 3: Financial Indicators – Investment Income**

INDICATORS	FY 2011 Actual	FY 2010 Actual
Realised Investment Income	\$977.82Mn	\$864.04Mn
Total Investment Income (realised & unrealised)	\$1.91Bn	\$977.02Mn

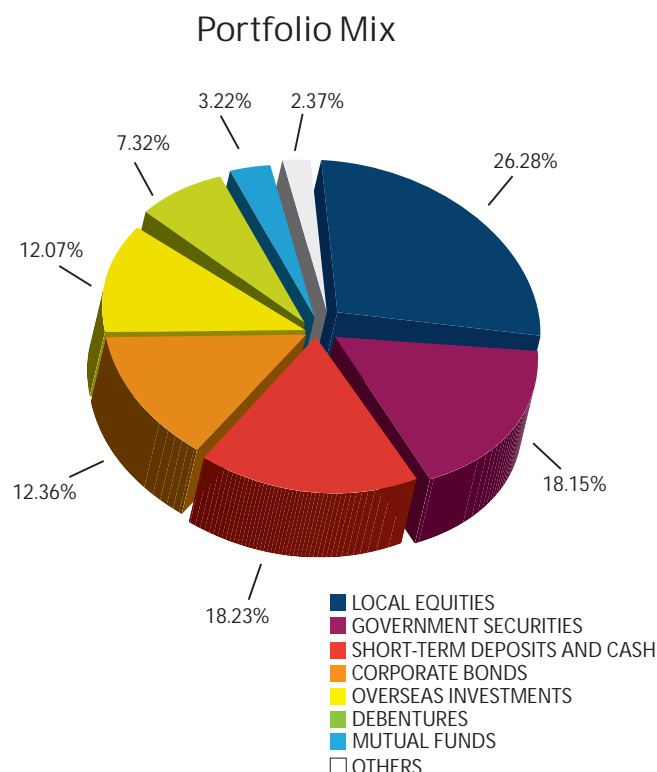
### Investment Portfolio

At the NIBTT, we know that sound financial decisions made today will enable us to provide our customers with a future that is secure. Prudent management practices dictate that we continue to actively pursue appropriate risk and investment management strategies to safeguard the financial sustainability of the NIS for future generations. Cognizant of our role to first ensure the safety of our funds while obtaining the best yield possible, we continue our strategy of making conservative investments that are likely to produce attractive long-term returns.

The NIBTT, however, was not immune to the failure of major financial institutions. On September 11, 2011, the High Court ruled in favour of the NIBTT in an action against Cllico Investment Bank Limited (CIB). This judgement paves the way for the NIBTT to recover amounts owed to it by the now defunct CIB in the amounts of US\$102,506,123 and TT\$46,493,563. The judgement also awards the application of interest at the rate of 6% per annum from dates of maturity of the deposits.

### Portfolio Mix

Our portfolio mix enables us to deliver consistent performance. In this regard, the NIBTT maintained its non-speculative approach to investments, with local equities accounting for the largest share (26.28%) of the investment portfolio based on market values at the end of FY 2011. This was followed by short-term deposits and cash (18.23%), government securities (18.15%), overseas investments (12.07%) and corporate bonds (12.36%) as the other components of the portfolio.



# EXECUTIVE DIRECTOR'S REPORT (cont'd)

## CUSTOMER CARE

Customers are at the heart of everything we do. We continue to meet the increasing and changing social insurance needs of workers and their dependants.

In FY 2011, the NIBTT maintained its reputation of excellent customer service by providing efficient, timely and cost-effective services each month to our stakeholders, including 153,538 beneficiaries and 19,107 employers who paid NI contributions on behalf of 484,979 insured persons.

### Customer Outreach

In addition to providing full NIS services from each of our fourteen (14) Service Centres strategically located across Trinidad and Tobago, the NIBTT reached out to customers through seminars, public symposia and our very popular hotline and redesigned corporate website.

The conduct of NI seminars and community outreach programmes in both Trinidad and Tobago allowed us to provide information principally on employees' benefits and employers' obligations. Our participation in a number of public symposia, in partnership with various government ministries and private sector organisations, allowed us to interact with members of the public on social security issues. In this regard, we held 92 seminars and participated in nine (9) symposia. Overall, this allowed us to reach in excess of 11,600 persons who now have a better understanding of the NI System.

We continued our efforts at improving and expanding the points of contact for our customers. The expansion of our hotline in April 2011 better enables our customers to obtain information, resolve issues relating to claims and lodge complaints. The hotline now serves more than 13,000 callers. This represents a marked increase from 4,069 calls received in FY 2010.

Our redesigned corporate website [www.nibtt.net](http://www.nibtt.net) was launched in FY 2011. This modern, easy-to-navigate website is very intuitive, and serves as a complementary channel for the NIBTT in supplying information and obtaining feedback from customers. Additionally, employers and employed persons can access registration and claim forms at their convenience without having to visit a service centre. Total hits to our website [www.nibtt.net](http://www.nibtt.net) over the course of FY 2011 were in excess of 3.45 million.

### Registration of Employers and Employed Persons

An efficient registration process is a critical first step to NI coverage.

The NIBTT registered 2,372 new employers in FY 2011. This represents an increase of 147 or 6.61% over the 2,225 employers registered in FY 2010. This increase indicates an increase in business activity in the economy

*"I recognise your input in building NIBTT into a high performing organisation with strong financial discipline and operational excellence. Your commitment to serving our customers with excellence is deeply appreciated."*

following the 2.75% decline in registrants between FY 2009 and FY 2010. Coupled with this was an increase in the number of new employees registered by 1,444 or 6.06% when compared with 23,817 in FY 2010.

### Benefit Administration

The NI System provides twenty-three (23) benefits to workers and their dependants as follows:

**Table 4: Benefits**

Benefit Type	Number	Benefits
Long-Term Benefits	9	Retirement Pension Retirement Grant Invalidity Benefit Survivor's Benefits (6)
Short-Term Benefits	5	Sickness Benefit Maternity Benefit (3) Funeral Grant
Employment Injury Benefits	9	Injury Benefit Medical Expenses Disablement (2) Death Benefit (5)

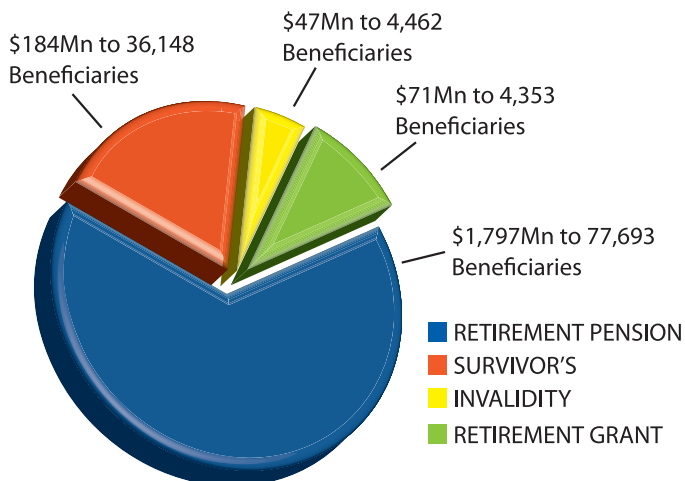


# EXECUTIVE DIRECTOR'S REPORT (cont'd)

## Long-Term Benefits

Long-Term Benefits payments amounting to \$2.10Bn were paid to 122,656 beneficiaries or 80% of the total number of beneficiaries. The number of beneficiaries increased by 5,767 or 4.93% over 116,889 beneficiaries in FY 2010. This significant increase in the number of retirement beneficiaries continues to be a strong indicator of the Nation's aging population and the maturing of the NIS.

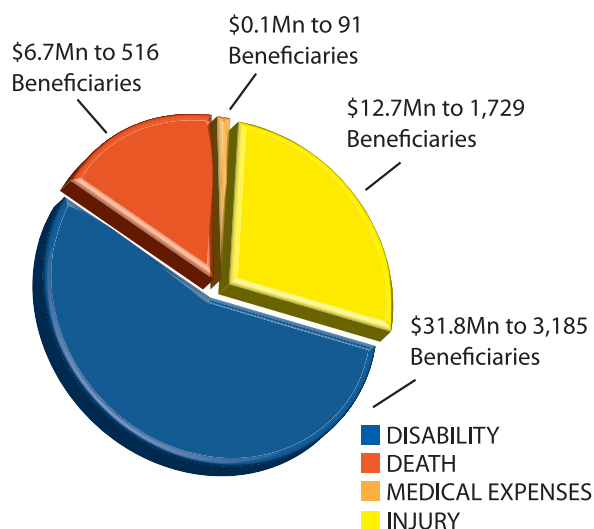
### Long-Term Benefits



## Employment Injury Benefits

During FY 2011, Employment Injury Benefits amounting to \$51.34Mn were paid to 5,521 beneficiaries or 4% of total beneficiaries in FY 2011. The reduction in the number of employment injury beneficiaries from 5,644 in FY2010 continues to reflect the national impact of employer compliance with the Nation's health and occupational safety laws.

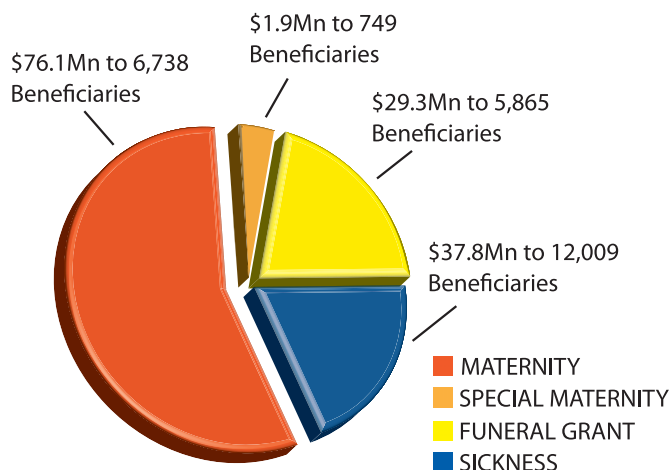
### Employment Injury Benefits



## Short-Term Benefits

Short-Term Benefits payments amounting to \$144.98Mn were made in FY 2011. These payments were made to 25,361 beneficiaries or 16% of total beneficiaries. The figure also represents a 2.2% increase in the number of short-term beneficiaries when compared to 24,809 beneficiaries in FY 2010.

### Short-Term Benefits





# EXECUTIVE DIRECTOR'S REPORT (cont'd)

## ***Benefits Appeals***

The reporting period saw a 10% decrease in the filing of new appeals with the Appeals Tribunal. A total of 159 new appeals were filed in FY 2011 as compared to the 177 filed during the previous year. A total of 11 sessions of the Appeals Tribunal were held, during which 109 matters were heard. Of these, 25 matters were dismissed, 16 were allowed, 61 were adjourned and 7 were withdrawn.

Appeals Filed	Matters Heard	Dismissed	Allowed	Adjourned	Withdrawn
159	109	25	16	61	7

## ***Protecting the NI System from Benefit Fraud***

Stringent management of the benefit administration process is fundamental in protecting the NI Fund from misuse through errors, misrepresentations or fraud. Towards this end, we strengthened procedures and gate-keeping controls to quickly identify attempts to commit fraudulent acts on the NI System.

The NIBTT continued to experience heightened levels of attempted benefit abuse, where ineligible persons seek to qualify for NI benefits. For FY 2011, 286 suspect claims were reviewed of which 100 were identified for further investigation. In addition, 13 matters remain before the Magistrates' Court from previous years.

## **SUPPORT FOR GOVERNMENT INITIATIVE**

### ***Senior Citizens Pensions and Social Welfare Grants***

In addition to the payment of NI benefits, the NIBTT continues to contribute to Government's initiatives by collaborating with various Ministries and Government agencies on projects that impact our customer base. In this regard, we collaborated with the Ministry of the People and Social Development in the monthly printing and dispatching of approximately 125,000 cheque payments in respect of Senior Citizens Pensions, Public Assistance and Disablement Grants. Work has commenced on the implementation of systems to provide beneficiaries with the option of "direct deposit" of these payments to their bank accounts. This payment method is expected to be more convenient for recipients and less costly to the Government. The Ministry of the People and Social Development expressed appreciation to the NIBTT for the solid support provided in implementing the process for "direct deposit" of benefits to customers' bank accounts.

## **TEAM NIBTT**

The NIBTT's Staff complement for FY 2011 of 649 persons was organised into six (6) Business Units and three (3) independent Departments:

### **Business Units:**

Insurance Operations, Investments, Finance and Business, Legal Services and Corporate Secretariat, Human Resources, Planning and Technology.

### **Independent Departments:**

Internal Audit, Risk Management, Claims Investigations.

All nine (9) Offices reported directly to the Executive Director, as the position of Deputy Executive Director remained vacant during the period.

## ***Training and Development***

At the NIBTT, we are advocates for our human resources, investing in staff development programmes as we respond and adapt to the changing needs of our Staff.

We realise that continuous training and development of Staff is critical to ensuring the required institutional capacity to deliver on our mandate, as we move forward. Consequently, training programmes were completed in FY 2011 with a rolling participation of 649 employees. Study loans were granted to three (3) employees, one (1) of which was for a programme at the post-graduate level. Additionally, during FY 2011, nine (9) employees who had previously accessed the NIBTT's study loan facility successfully completed their programmes in areas including Finance, Records Management and Business Management.

## **CORPORATE STRATEGIC PLAN 2011**

We are pleased to report that we achieved most of our goals as contained in our Corporate Strategic Plan – Vision 2011. Approved by the Board of Directors in July 2008, Vision 2011 mapped the way forward for the NIBTT over the period 2009 – 2011. Today we can report that NIBTT's role in the provision of social security products and services has been expanded; the NI fund has grown significantly, institutional capacity and performance have improved; service delivery is enhanced, in keeping with the goals set in Vision 2011. The NIBTT is now poised for further development to play an even more important role as provider of social security to the people of Trinidad and Tobago.



# EXECUTIVE DIRECTOR'S REPORT (cont'd)

## LOOKING AHEAD

Financial sustainability and business growth have always been and will continue to be part of the NIBTT's business strategy for the delivery of value to our customers and stakeholders. Undoubtedly, the sustained relevance of the NIS in contributing to the income security of the country's population is evidenced by the fact that the number of beneficiaries has increased steadily over the past three (3) decades from 62,274 in FY 1980 to 153,538 in FY 2011, and is projected to increase to approximately 280,000 by the mid-2030s.

The maintenance of contribution rates that are affordable to both employers and employees, while ensuring the long-term viability of the NI Fund, will continue to be a key area of focus. Contribution rate, which now stands at 10.8% and which will increase to 11.4% of insurable earnings effective January 2012, still remains amongst the lowest internationally.

The NIS will continue to provide the best value for money to our customers. Indeed, we are well poised to increase benefits and expand the range of social security products and services offered to the people of Trinidad and Tobago.

## APPRECIATION

Our success was the result of the strong support of stakeholders, the commitment of our Board of Directors and our dedicated and passionate employees.

Thanks to all those who worked to ensure that we fulfilled our mandate in FY 2011. I thank the Minister of Finance, the Permanent Secretary and Staff for your solid support during the year.

The Board demonstrated its confidence by appointing me to the position of Executive Director of this great organisation. Together, we were able to embrace change, face the challenges of FY 2011 and steer this vital organisation on a steady and sure course. The guidance and direction of the NIBTT's unique tripartite Board is pivotal to our success and I thank you.

Sincerest thanks to my Management team and Staff for your invaluable support over the last year, especially during the period when we continued without a Board. I recognise your input in building NIBTT into a high-performing organisation with strong financial discipline and operational excellence. I value your commitment to serving our customers with excellence.

To our customers and other stakeholders, I thank you for your continued confidence and support. The NIBTT will keep striving to serve you better. You are at the centre of everything we do. We are indeed proud of our accomplishments in FY 2011, and look forward to FY 2012 and the privilege of serving the people of Trinidad and Tobago and our beneficiaries throughout the world, as we continue to play a vital role in the development, security and stability of our beloved country.



Executive Director



## EXECUTIVE MANAGEMENT TEAM

Lorna Charles  
Executive Director



Karen Gopaul  
Executive Manager –  
Insurance Operations (Ag)



Niala Persad-Poliah  
Executive Manager –  
Legal Services/Corporate Secretary (Ag)







Cherrie Ann Crichlow-Cockburn  
Executive Manager –  
Human Resources



Esther Charles  
Executive Manager –  
Finance and Business (Ag)



Ramlakhan Seecharan  
Executive Manager –  
Planning and Technology (Ag)



Ian Pemberton  
Executive Manager –  
Investments

# SENIOR MANAGEMENT TEAM

## Office of the Executive Director

Jacqueline Castillo - Enterprise Risk Manager  
Davindra Maharajh - Internal Auditor  
Hilarie Hoyte - Manager, Claims Investigations (Ag)  
Debra Modeste - Executive Assistant (Ag)

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## Legal Services/Corporate Secretariat

Greta Stephen-Henry - Manager, Legal Services (Ag)  
Kendra Thomas-Long - Legal Officer  
Ashook Balroop - Legal Officer  
Jennilynn Howe-Dopwell - Manager, Corporate Communications (Ag)

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## Human Resources

Elton Doyle - Manager, Employee Relations  
Sherma Gidaree - Manager, Compensation, Development and Planning  
Michael Gopaul - Manager, Organisational Development

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## Insurance Operations

Margaret De Landro - Manager, Insurance Operations  
Emrice Henry - Area Operations Manager  
Sean McMillan - Area Operations Manager  
Patricia George-Lezama - Area Operations Manager

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## Investments

Annabelle Holder - Senior Investment Analyst  
Cheryl Moreno-Archer - Manager, Mortgages (Ag)

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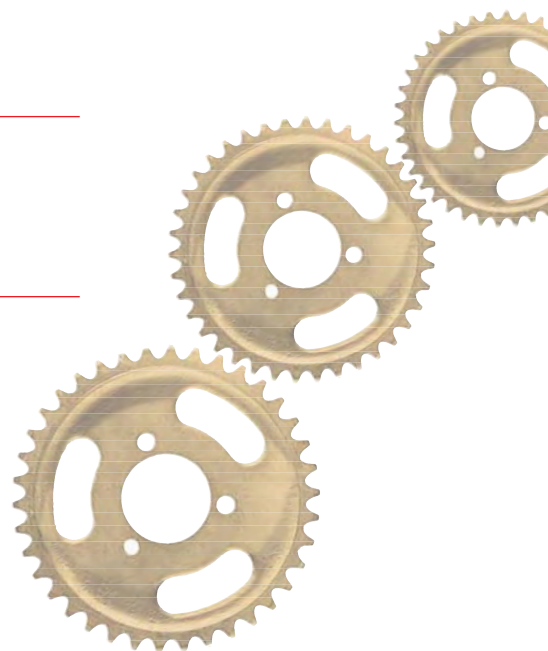
## Finance and Business

Karen Davis-Holder - Financial Accountant  
Jennifer Creese - Manager, Business Services (Ag)  
Winslow Demas - Manager, Facilities, Services and Security

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## Planning and Technology

Susan Nelson - Project Manager  
Curtis Richards - Manager, IT Infrastructure (Ag)  
Mikhail Noel - Manager, IT Development  
Adrian Fortune - Manager, IT Security  
Kerwyn Greaves - Manager, IT Administration







## FINANCIAL STATEMENTS



# INDEPENDENT AUDITORS' REPORT

To the Directors of The National Insurance Board of Trinidad and Tobago

## *Report on the Financial Statements*

We have audited the accompanying Financial Statements of The National Insurance Board of Trinidad and Tobago ("the NIBTT"), which comprise the statement of financial position as at June 30, 2011 and the revenue and expenditure accounts and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

## *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these Financial Statements in accordance with the financial reporting provision of the National Insurance Act and the accounting framework as described in Notes 4 and 5 of these Financial Statements and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

## *Auditors' Responsibility*

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the 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 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 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 financial statements present fairly, in all material respects, the financial position of the NIBTT as at June 30, 2011 and of its financial performance and its 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 Notes 4 and 5 of these financial statements.

## *Basis of Accounting*


Without modifying our opinion, we draw attention to Note 5 to these financial statements, which describe the basis of accounting. The financial statements are prepared to assist the Board to meet the requirements of the National Insurance Act. As a result, the financial statements may not be suitable for another purpose.



## INDEPENDENT AUDITORS' REPORT (cont'd)

### *Emphasis of Matter*

Without qualifying our opinion, we draw attention to Note 14 of the financial statements. The NIBTT has invested in Clico Investment Bank Limited (CIB) Investment Note Certificates some of which had matured by June 30, 2009 and a further amount which matured on June 30, 2010; however, the NIBTT had not received either the principal or accrued interest that was contractually due. Based on the recent judgement the investments fall under the Memorandum of Understanding (MOU) between the Ministry of Finance and C L Financial Limited. As such, the investment would be guaranteed by the Government of the Republic of Trinidad and Tobago (GORTT), however, the repayment terms are not yet finalised. An amendment to the Central Bank Act was enacted which may impact the NIBTT's ability to enforce the judgement. The ultimate outcome of these matters cannot presently be determined and, accordingly, no impairment provision has been made in the financial statements for any effects that may arise from the non-recovery of the principal and/or interest.



Chartered Accountants

October 17, 2011  
Port of Spain, Trinidad and Tobago

# STATEMENT OF FINANCIAL POSITION

June 30, 2011

	Notes	2011 \$'000	2010 \$'000
<b>ASSETS</b>			
Property, plant and equipment	8	70,260	72,688
Investment properties	9	160,895	160,895
Employee Benefits	10	328,174	325,283
Investment in subsidiary companies	11	166,070	166,070
Investment securities	12	15,237,878	15,531,628
Mortgage advances	13	38,307	51,371
Inventory		164,941	157,181
Claims receivable – matured deposits	14	706,313	691,736
Other assets	15	615,383	582,106
Cash and cash equivalents	16	3,520,353	843,445
<b>Total assets</b>		<b>21,008,574</b>	<b>18,582,403</b>
<b>FUNDS, RESERVES AND LIABILITIES</b>			
Long-term benefits fund	17	20,056,685	17,667,708
Short-term benefits fund	17	289,957	289,394
Employment injury benefits fund	17	513,387	516,812
<b>Total funds</b>		<b>20,860,029</b>	<b>18,473,914</b>
Revaluation reserve	18	34,675	34,675
<b>Total reserves</b>		<b>34,675</b>	<b>34,675</b>
Other liabilities	19	113,870	73,814
<b>Total liabilities</b>		<b>113,870</b>	<b>73,814</b>
<b>Total funds, reserves and liabilities</b>		<b>21,008,574</b>	<b>18,582,403</b>

The accompanying notes form an integral part of these financial statements.



Chairman



Executive Director



Executive Manager  
Finance & Business (Ag)



# REVENUE AND EXPENDITURE ACCOUNTS

Year ended June 30, 2011

	2011 \$'000	2010 \$'000		2011 \$'000	2010 \$'000
<b>LONG-TERM BENEFITS FUND</b>					
<b>Revenue</b>			<b>Expenditure</b>		
Fund at July 1	17,667,708	16,656,802	Benefits incurred	2,099,664	1,983,436
Contribution income	2,423,553	2,354,276	Administrative expenses	114,335	115,898
Penalty income	16,617	20,642	Reversal of unrealised		
Adjustment	—	2,736	fair value gains	109,455	270,479
Pension asset income	2,808	7,160			
Investment income	949,378	821,891			
Unrealised fair value gains	1,166,120	109,455			
Miscellaneous income	1,297	2,262			
Transfer from short-term					
and employment funds	152,658	62,297	Fund at June 30	20,056,685	17,667,708
	<u>22,380,139</u>	<u>20,037,521</u>		<u>22,380,139</u>	<u>20,037,521</u>
<b>SHORT-TERM BENEFITS FUND</b>					
<b>Revenue</b>			<b>Expenditure</b>		
Fund at July 1	289,394	274,175	Benefits incurred	144,978	144,696
Contribution income	163,386	158,715	Administrative expenses	7,707	6,048
Penalty income	151	188	Transfer to long-term		
Pension asset income	25	65	benefits fund	28,607	—
Investment income	8,657	8,473	Reversal of unrealised		
Unrealised fair value			fair value gains	1,310	2,788
gains	10,946	1,310	Fund at June 30	289,957	289,394
	<u>472,559</u>	<u>442,926</u>		<u>472,559</u>	<u>442,926</u>
<b>EMPLOYMENT INJURY BENEFITS FUND</b>					
<b>Revenue</b>			<b>Expenditure</b>		
Fund at July 1	516,812	491,243	Benefits incurred	51,338	51,681
Contribution income	136,155	132,263	Administrative expenses	6,423	6,877
Penalty income	346	432	Transfer to long-term		
Pension asset income	58	150	benefits fund	124,051	62,297
Investment income	19,789	16,946	Reversal of unrealised		
Unrealised fair value gains	24,249	2,210	fair value gains	2,210	5,577
	<u>697,409</u>	<u>643,244</u>	Fund at June 30	513,387	516,812
				<u>697,409</u>	<u>643,244</u>

The accompanying notes form an integral part of these financial statements.

# STATEMENT OF CASH FLOWS

Year ended June 30, 2011

	2011 \$'000	2010 \$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Contribution income	2,723,094	2,645,254
Investment income	977,824	847,310
Penalty income	17,114	21,262
Benefits expenditure	(2,295,980)	(2,179,813)
Administrative expenses (net)	(128,465)	(126,087)
Other income	1,297	2,262
Depreciation	2,342	2,748
Adjustment to provision for doubtful debts	(821)	(33,118)
Adjustment to property, plant and equipment	798	29,706
Change in inventory	(7,760)	(19,138)
Change in amounts owed	(33,277)	69,846
Change in amounts due	13,831	17,798
Change in claims receivables	(14,577)	(161,689)
<b>Net cash flows from operating activities</b>	<b>1,255,420</b>	<b>1,116,341</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(712)	(1,938)
Purchase of investments	(2,931,889)	(3,758,763)
Sale/maturity of investments	4,327,864	3,249,764
<b>Net cash from (used in) investing activities</b>	<b>1,395,263</b>	<b>(510,937)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayment of borrowings	—	(150,000)
<b>Net cash used in financing activities</b>	<b>—</b>	<b>(150,000)</b>
<b>Net increase in cash and cash equivalents</b>	<b>2,650,683</b>	<b>455,404</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>843,445</b>	<b>388,041</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>3,494,128</b>	<b>843,445</b>
<b>Cash and cash equivalents are comprised of:</b>		
Cash and bank balances (including call deposits)	3,520,353	843,445
Bank overdraft	(26,225)	—
	<b>3,494,128</b>	<b>843,445</b>

The accompanying notes form an integral part of these financial statements.



# NOTES TO THE FINANCIAL STATEMENTS

June 30, 2011

## 1. Incorporation and Principal Activity

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

These financial statements were authorised for issue by the Board of Directors (the Board) on October 17, 2011.

## 2. Actuarial Review

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

The Seventh Actuarial Review, covering the five-year period up to June 30, 2005, of the National Insurance System (NIS) was completed in June 2007 by an independent actuary who concluded, "the current position of the NIS is very favourable." It was also indicated that "the NIS is in a good position to put in place strategies to deal with the future demographic bulge."

The Eighth Actuarial Review covering the five-year period to June 30, 2010 is currently in progress.

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.

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

- 1 The ratio of the contributions paid by employee to those paid by employer, 1:2 should be maintained.
- 2 Contribution income be distributed between the funds in the following ratio – long-term 89%; short-term 6%; employment injury 5%.
- 3 Benefit levels ought to be revised upwards.
- 4 Administrative Expenses are to be allocated to the funds in the same proportion as Contribution Income.
- 5 Elimination of the accumulated reserve and the application of the following coefficients to benefit expenditure to determine reserve funds by benefits branch:
  - 2 for the short-term benefits branch;
  - 10 for the employment injury benefits branch; and
  - The remaining excess of income over expenditure allocated to the long-term benefits branch.

See revenue and expenditure accounts for the allocation made to the fund balances. The accumulated reserve was eliminated at the end of the 2009 reporting period.

## 3. Legislative Amendments

### **Contributions**

Employer/employee contributions were increased in January 2008 from 9.9% to 10.5% and in January 2010 to 10.8% of assumed average weekly earnings. A further increase to 11.4% is due in January 2012.





# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

June 30, 2011

## 4. Basis of Preparation

### (a) *Basis of measurement*

These financial statements are prepared on the historical cost convention, except for the valuation of investment securities, claims receivable – matured deposits, investment properties, artwork and freehold and leasehold properties. They have been prepared in accordance with the accounting policies described below and no account is taken of the effect of inflation.

### (b) *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 the NIBTT’s functional and presentation currency, unless otherwise stated.

### (c) *Use of estimates and judgements*

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.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in Note 7.

## 5. Significant Accounting Policies

The principal accounting policies adopted in the preparation of these financial statements are set out below:

### (a) *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. All differences arising are taken to the revenue and expenditure accounts. 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.

### (b) *Financial instruments*

The 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 the 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.



# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

June 30, 2011

## 5. Significant Accounting Policies (continued)

### (c) *Cash and cash equivalents*

Cash and cash equivalents represent cash and bank balances and highly liquid investments with a maturity period of three (3) months or less.

### (d) *Impairment*

The carrying amounts of the 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 revenue and expenditure accounts.

### (e) *Loans and advances*

Loans and advances are financial assets with fixed or determinable payments and are not quoted in an active market created by the 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 the 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 the 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 which 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) *Investment Securities*

Investment securities are stated at fair value. 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 recognised exchanges, fair value is determined using discounted cash flow analysis. 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.

All related realised and unrealised gains and losses are included in the revenue and expenditure accounts. Interest earned whilst holding trading securities is reported as interest income.

Any investment security that does not have a quoted market price in an active market and where fair value cannot be reliably measured is stated at cost less impairment losses.

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

June 30, 2011

## 5. Significant Accounting Policies (continued)

### (g) *Investment properties*

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

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

### (h) *Investment in subsidiary companies*

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

Companies	Percentage ownership
National Insurance Property Development Company Limited (NIPDEC)	100%
Trinidad and Tobago Mortgage Finance Company Limited (TTMF)	51%
Home Mortgage Bank (HMB)	51.25%

In these financial statements of the NIBTT, these investments are accounted for at cost.

### (i) *Inventory*

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

### (j) *Related parties*

A number of transactions are entered into with related parties into the normal course of business. These transactions were carried out on commercial terms and conditions at market rates (see Note 22).

### (k) *Property, plant and equipment*

Property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses except for artwork and freehold and leasehold properties which are stated at valuations conducted by independent professional valuers every three (3) years. Freehold and leasehold properties were professionally valued in June 2010 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 the NIBTT and the cost of the item can be measured reliably.

All other repairs and maintenance are charged to the revenue and expenditure accounts during the financial period in which they are incurred.

If an asset's carrying value is increased as a result of a revaluation, the increase is credited directly to equity 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 revenue and expenditure accounts.

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:



# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

June 30, 2011

## 5. Significant Accounting Policies (continued)

### (k) Property, plant and equipment (continued)

#### Freehold and leasehold properties - 2% on buildings

Improvements to premises:

- Owned - Equal annual instalments over a period of ten (10) years.
- Leased - Equal annual instalments over the period of the lease.
- Rented - Where a monthly tenancy applies, in equal annual instalments over three (3) years.

#### Furniture and fixtures/ machinery and equipment - 7.5% - 25%

#### Motor vehicles/artwork - 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.

### (l) Provisions

Provisions 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 embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

### (m) Basis of allocation

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

#### (i) Contribution income

Contribution income is allocated as follows:

	2011 %	2010 %
Long-term benefits fund	89	89
Short-term benefits fund	6	6
Employment injury benefits fund	5	5
	<hr/>	<hr/>
	100	100

#### (ii) Other income

Other income comprising investment income less expenses, penalty income and pension asset income is allocated to the benefits 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 Seventh Actuarial Review, the NIBTT implemented the following: short-term benefits fund and employment injury benefits 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 benefits fund.

These fund allocations are based solely on the ratios recommended by the Independent Actuary, and do not represent the NIBTT's liability to beneficiaries at June 30, 2011.

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

June 30, 2011

## 5. Significant Accounting Policies (continued)

### (m) Basis of allocation (continued)

#### (iv) Accumulated reserve

The NIBTT has also decided to remove this Reserve based on the advice of the Actuary.

### (n) Revenue recognition

#### (i) Contribution and benefits

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

A provision for benefits is made based on the estimated cost of all benefits approved though not paid at the reporting 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 twelve (12) months.

### (o) Employee benefits

#### (i) Short-term

Employee benefits are all forms of consideration given by the NIBTT in exchange for service rendered by employees. These include current or short-term benefits such as salaries, bonuses, NIS contributions, annual leave, and 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

The NIBTT contributes to a defined benefit staff pension plan which covers all qualifying employees. Members contribute 5% (2010: 5%) of their pensionable salaries to the Plan whilst the NIBTT currently contributes 5% (2010: 5%). All permanent employees are eligible for membership and temporary employees under certain conditions.

The pension accounting cost for the pension plan is assessed using the projected unit credit method. Under this method, the cost of providing pensions is charged to the revenue and expenditure accounts so as to spread the regular cost over the service lives of the employees in accordance with the advice of a qualified actuary who carries out a full valuation of the plan every three (3) years.

## 6.

### Determination of Fair Values

A number of the 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.

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

June 30, 2011

## 6. Determination of Fair Values (continued)

### (i) *Investment properties*

An external, independent valuation company, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued, values the NIBTT's investment property portfolio every 3-5 years. 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.

### (ii) *Investment securities*

As stated in Note 5 (f), investment securities 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.

### (iii) *Claims receivable – matured deposits*

Matured deposits are due on demand and as such, the fair value is assumed to equal the carrying value. Refer to Note 14.

### (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 (1) year.

## 7. Significant Accounting Judgements and Estimates

In the process of applying the NIBTT's accounting policies, management has used its judgements, estimates and assumptions in determining the amounts recognised in the financial statements; actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. The most significant use of judgements and estimates are as follows:

### *Fair value of financial instruments*

Where the fair values of financial assets and financial liabilities recorded on the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The input to these models is taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values.

### *Employee benefits*

The cost of the defined benefit staff pension plan is determined using actuarial valuation. The actuarial valuation involves making assumptions about discount rates, expected rates of return on pension plan assets and future salary increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty. See Note 10 for the assumptions used.

### *Property, plant and equipment*

Management exercises judgement in determining whether costs incurred can accrue sufficient future economic benefits to the NIBTT to enable the value to be treated as a capital expense. Further judgement is used upon annual review of the residual values and useful lives of all capital items to determine any necessary adjustments to carrying value.





# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

June 30, 2011

## 7. Significant Accounting Judgements and Estimates (continued)

### Contributions

Management exercises judgement in determining contributions receivable. In determining the receivable, management makes certain assumptions regarding the likelihood of recovery.

### Impairment losses on loans and advances

The NIBTT reviews its problem loans and advances at each reporting date to assess whether an allowance for impairment should be recorded in the statement of 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. Such estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

### Impairment losses on loans and advances

In addition to specific allowances against individually significant loans and advances, the NIBTT also makes a collective impairment allowance 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.

## 8. Property, Plant and Equipment

	Land Freehold/ Leasehold Buildings \$'000	Machinery Equipment/ Furniture and Fittings \$'000	Art and Motor Vehicles \$'000	Total 2011 \$'000	Total 2010 \$'000
Cost/valuation at beginning of year	66,784	47,108	3,108	117,000	146,930
Additions	111	477	124	712	1,938
Disposal/adjustments	(1,382)	(753)	(45)	(2,180)	(31,868)
At the end of year	65,513	46,832	3,187	115,532	117,000
Accumulated depreciation at beginning of year	2,164	40,698	1,450	44,312	43,726
Current year	662	1,301	379	2,342	2,748
Disposal/adjustments	(1,382)	—	—	(1,382)	(2,162)
At the end of year	1,444	41,999	1,829	45,272	44,312
<b>Net book value</b>	<b>64,069</b>	<b>4,833</b>	<b>1,358</b>	<b>70,260</b>	<b>72,688</b>

### Note:

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

Independent professional valuations of the administrative properties of the NIBTT were undertaken in June 2010 and put the market value at \$60.9 Mn (June 2007: \$87.4 Mn).



# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

June 30, 2011

	2011 \$'000	2010 \$'000
<b>9. Investment Properties</b>		
Scarborough Mall	9,668	9,668
Huggins Building	14,000	14,000
NIPDEC House	32,000	32,000
Queen's Park East	73,059	73,059
Mulchan Seuchan Road	18,868	18,868
Palmiste Property	13,300	13,300
	<b>160,895</b>	<b>160,895</b>

Rental income from investment properties during the year amounted to \$7.0 Mn (2010: \$7 Mn). Direct operating expenses incurred on investment properties during the year amounted to \$1.332 million (2010: \$1.554 Mn).

<b>10. Employee Benefits</b>	2011 \$'000	2010 \$'000
<b>The amounts recognised in the statement of financial position are as follows:</b>		
Defined benefit obligation	674,735	545,320
Fair value of assets	(792,125)	(737,205)
Benefit surplus	(117,390)	(191,885)
Unrecognised actuarial gains	(210,784)	(133,398)
Defined benefit asset	<b>(328,174)</b>	<b>(325,283)</b>
<b>The amounts recognised in the revenue and expenditure accounts are as follows:</b>		
Current service cost	12,581	11,775
Interest on defined benefit obligation	34,595	35,179
Amortised net loss	5,425	3,206
Expected return on plan assets	(52,689)	(54,809)
Net pension income	<b>(88)</b>	<b>(4,649)</b>



# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

June 30, 2011

## 10. Employee Benefits (continued)

	2011 \$'000	2010 \$'000
<b>Movements in the net asset recognised in the statement of financial position are as follows:</b>		
Net asset at July 1	(325,283)	(317,908)
Net income recognised in the revenue and expenditure accounts	(88)	(4,649)
Contributions	(2,803)	(2,726)
Net asset at June 30	<u>(328,174)</u>	<u>(325,283)</u>
<b>Actual return on pension plan assets:</b>		
Expected return on pension plan assets	52,689	54,809
Actuarial gain on pension plan assets	23,497	3,943
Actual return on pension plan assets	<u>76,186</u>	<u>58,752</u>

## Experience history

	2011 \$'000	2010 \$'000	2009 \$'000	2008 \$'000	2007 \$'000
Defined benefit obligation	674,735	545,320	478,018	410,242	333,902
Fair value of plan assets	(792,125)	(737,205)	(691,511)	(709,047)	(604,417)
Surplus	<u>(117,390)</u>	<u>(191,885)</u>	<u>(213,493)</u>	<u>(298,805)</u>	<u>(270,515)</u>
Experience gain (loss) on obligation	<u>106,308</u>	18,562	18,340	(56,042)	4,858
Experience gain (loss) on assets	<u>23,497</u>	3,943	(73,061)	58,361	(39,152)

## Principal actuarial assumptions at the reporting date:

	2011 %	2010 %
Discount rate	6.5	6.50
Expected return on pension plan assets (net of investment expenses)	7.0	7.25
Rate of salary increases	6.0	6.00
Pension increases	3.0	3.00



# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

June 30, 2011

	2011 \$'000	2010 \$'000
<b>11. Investment in Subsidiary Companies</b>		
The investments in subsidiary companies comprise:		
NIPDEC	25,000	25,000
TTMF	7,190	7,190
HMB	133,880	133,880
	<u>166,070</u>	<u>166,070</u>

## 12. Investment Securities

Investments comprise:

State and corporate bonds (a)	7,349,568	8,847,222
Equities (b)	7,358,911	6,243,548
Other	529,399	440,858
	<u>15,237,878</u>	<u>15,531,628</u>

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

### (a) State and corporate bonds

Government and public sector investments	3,464,702	3,586,788
Corporate securities	3,884,866	5,260,434
	<u>7,349,568</u>	<u>8,847,222</u>

### (b) Equities

Quoted	7,261,121	6,153,765
Unquoted	97,790	89,783
	<u>7,358,911</u>	<u>6,243,548</u>

State and corporate bonds earn interest at rates varying between 4.75 % and 12.25% (2010: 4.75% and 12.25%).

## 13. Mortgage Advances

Gross Mortgage Advances	100,380	114,265
Provision for non-performing advances	(62,073)	(62,894)
	<u>38,307</u>	<u>51,371</u>

Mortgage advances earn interest at an average effective rate of 8.00 % (2010: 8.00%).



# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

June 30, 2011

## 14. Claim Receivable – Matured Deposits

### *Clico Investment Bank*

On September 27, 2011, the High Court ruled in favour of the NIBTT in its action against Clico Investment Bank Limited (CIB). The ruling centred around the definition of an Investment Note Certificate and whether such deposits were guaranteed under the Memorandum of Understanding between the Ministry of Finance and C L Financial Limited. The judgement paves the way for the NIBTT to seek to recover amounts owed to it by CIB in the amounts of US\$102,506,128 and TT\$46,493,563. In addition, the judgement also awarded the application of interest at the rate of 6% per annum from the dates of maturity of the deposits. Act 18 of 2011 of the Laws of the Republic of Trinidad and Tobago, assented to on September 20, 2011, amended the Special Emergency Powers of the Central Bank under the Central Bank Act. The amendment may have an impact on the NIBTT's ability to enforce its judgement against CIB. Notwithstanding, the Board intends to vigorously pursue all its options to recover on this judgement. It is Management's opinion therefore, that full disclosure rather than impairment recognition is sufficient and appropriate at this time. Consequently, the entire principal and accrued interest on the deposits that have matured at June 30, 2011 have been treated as a receivable due on demand.

### *Trinidad Cement Limited*

On September 3, 2004, NIBTT invested TT\$50,070,692.14 in four (4) Certificates of Participation in Trinidad Cement Limited (TCL) TT\$346.5 Mn Fixed Rate Bond due 2014. The tenors for these Certificates of Participation ranged from 5 ½ years to 7 years with discount rates from 6.27% - 6.55%. Principal and interest payments on this investment were to be repaid at maturity.

During this 2011 financial year, two (2) of the four (4) Certificates of Participation matured. One was fully repaid as we received TT\$22,681,023.75 on August 25, 2010. On January 19, 2011, five (5) weeks prior to our second maturity for the financial year, TCL issued a Declaration of Moratorium on both its principal and interest debt payments with immediate effect. As a result of their moratorium, our February 25, 2011 maturity of TT\$14,576,552.83 was unpaid as at June 30, 2011. According to TCL, until their debts are restructured, the moratorium will continue.

As a result of TCL's debt restructuring exercise, terms of conditions have been proposed and agreed in principle by its debt-holders and resolutions effecting these new terms and conditions are due in the first week of October 2011, according to the Certificate Trustee.

In light of the above, it is Management's opinion that full disclosure rather than impairment recognition is sufficient and appropriate at this time. Consequently, the principal and interest on the February 25, 2011 maturity of the Certificate of Participation has been deemed as a receivable due on demand.

## 15. Other Assets

	2011 \$'000	2010 \$'000
Investment income receivable	202,164	183,813
Sundry debtors	25,044	28,479
Prepayments	166,566	161,007
Contributions receivable	221,609	208,807
	<u>615,383</u>	<u>582,106</u>

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

June 30, 2011

	2011 \$'000	2010 \$'000
<b>16. Cash and Cash Equivalents</b>		
Cash and Bank	3,469,033	736,207
Cash and cash equivalents (TT\$)	37,649	859
Cash and cash equivalents (US\$)	13,671	106,379
	<hr/>	
Bank overdraft (Note 19)	3,520,353 (26,225)	843,445 —
	<hr/>	
	<b>3,494,128</b>	<b>843,445</b>

## 17. Benefits Fund

The benefits fund comprise 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 5, the benefits funds balances do not represent the NIBTT's liability to beneficiaries but instead reflects allocations based on the application of certain ratios as advised by the NIBTT's Actuary.

The NIBTT's liability to beneficiaries as determined by the Actuary was \$10,572 Mn at June 30, 2005. The value of the reserves at June 30, 2005 was \$8,718 Mn.

As more fully described in the analysis below and in Note 27, the funds balances were adjusted as a result of the change in accounting policy.

	Long-term \$'000	Short-term \$'000	Employment injury \$'000	Totals \$'000
<b>2010</b>				
Balance at June 30, 2009, as restated	16,656,802	274,175	491,243	17,422,220
Net surplus of revenue over expenditure for the period ended June 30, 2010	1,010,906	15,219	25,569	1,051,694
Balance at June 30, 2010	<hr/> 17,667,708	<hr/> 289,394	<hr/> 516,812	<hr/> 18,473,914
<b>2011</b>				
Balance at June 30, 2010	17,667,708	289,394	516,812	18,473,914
Net surplus of revenue over expenditure for the period ended June 30, 2011	2,388,977	563	(3,425)	2,386,115
Balance at June 30, 2011	<hr/> 20,056,685	<hr/> 289,957	<hr/> 513,387	<hr/> 20,860,029



# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

June 30, 2011

## 18. Revaluation Reserve

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

	2011 \$'000	2010 \$'000
Balance as at July 1	34,675	39,337
Movement for the year	—	(4,662)
Balance as at June 30	<u>34,675</u>	<u>34,675</u>

## 19. Other Liabilities

Bank overdraft	26,225	—
Sundry creditors and accruals	76,400	62,934
Unallocated Mortgage Payments	936	1,077
Provision for other payables	10,309	9,803
	<u>113,870</u>	<u>73,814</u>

## 20. Administration and Investment Expenses

Included therein are the following charges:

Salaries and other related expenses	80,076	79,209
Depreciation	2,926	2,748

In 2011 administrative expenses amounted to 4.72% (2010: 4.91%) of contribution income and this did not exceed the limit established by the Board of 7%.

## 21. Contingent Liabilities

### (a) Pending litigation and outstanding appeals

As at June 30, 2011 there were certain legal proceedings outstanding against the NIBTT. No provision has been made as professional advice indicates that it is unlikely that any significant loss will arise.

### (b) Industrial relations

Preliminary discussions for the new Industrial Agreement for the period January 1, 2008 to December 31, 2010 are currently in progress.

### (c) Riverwoods Housing Project

Discussions are to begin concerning the amount in dispute with NIPDEC regarding the Riverwoods Housing Project.

Capital projects approved and contracted as at June 30, 2011 amounted to \$0.8 Mn (2010: \$0.9 Mn).

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

June 30, 2011

## 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 who have significant influence over the NIBTT for the relevant financial year/period.

### (i) Transactions with related parties

During the years ended June 30, 2010 and 2011, the NIBTT carried out the following significant transactions with related parties during the course of normal operations:

	2011 \$'000	2010 \$'000
Bonds and debentures of subsidiary companies	51,130	100,000
Interest receivable	112,394	114,548

### (ii) Balances due from related parties

The amounts due from related companies comprise the following:

Payment on Bonds and Debentures	1,589,198	1,508,221
Agency management fees	(78)	(15)

### (iii) Transactions with key management personnel

In addition to their salaries, the 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:

	2011 \$'000	2010 \$'000
Short-term employee benefits	2,000	2,094
Post-employment benefits	163	787

## 23. Financial Risk Management

### Overview

The NIBTT's principal financial instruments comprise investment securities, investment properties, 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 NIBTT has exposure to the following risks from the use of financial instruments:

- Credit Risk
- Liquidity Risk
- Market Risk
  - Interest rate risk
  - Currency risk.

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

June 30, 2011

## 23. Financial Risk Management (continued)

The Board of Directors has overall responsibility for the establishment of a Risk Management Framework.

The following are the systems/structures put in place to ensure that the NIBTT's exposure to risk is minimised:

### ***The Investments Unit***

This unit conducts regular due diligence exercises based on published financial reports and other available data.

Detailed monthly reports are submitted to Executive Management and to the Investment Committee (IC).

### ***The Investment Committee***

The role of the Investment Committee (IC) is to review the results of the due diligence exercises conducted by the Investments Unit. Decisions/recommendations are submitted to the Board of Directors for ratification.

Investment decisions are made in the context of Schedule 1 of the National Insurance (NI) Act and the NIBTT's Investment policy.

### **Credit Risk**

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The NIBTT is mainly exposed to credit risk with respect to its mortgage portfolio and deposits.

The NIBTT limits its exposure with respect to its bond portfolio by investing in only bonds issued by the Government of the Republic of Trinidad and Tobago (GORTT) or institutions with high creditworthiness. The NIBTT through the Investments Unit and the Investment Committee consistently monitors the performance of these instruments.

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 borrower's new financial position. In the event where recovery may seem doubtful, provisions are set aside to cover any potential losses.

### **Liquidity Risk**

Liquidity risk is the risk that the NIBTT will encounter difficulty in meeting obligations from its financial liabilities.

The daily liquidity position for both operational expenses and the payment of benefits is monitored daily by the Financial Accountant whose job it is 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 by the Investments Unit who will seek to earn above average interest rate margins through investing in high quality, high yielding assets with acceptable risk.

### **Market Risk**

#### ***Interest rate risk***

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The NIBTT is primarily exposed to interest rate risk with respect to its fixed rate debentures, government securities and bonds. These are regularly monitored by the Investments Unit and communicated to the Board of Directors by the Investment Committee.

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

June 30, 2011

## 23. Financial Risk Management (continued)

### Market Risk (continued)

#### Currency risk

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

The TT dollar is pegged to the US dollar and this managed float has been there for some time. The TT economy is quite strong and there appears to be no threat of devaluation or appreciation of the TT dollar against the US dollar.

However, the balances held in US dollars are monitored on a daily basis by the Investments Unit.

#### Credit Risk

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

	Loans and Advances	
	2011 \$'000	2010 \$'000
<b>Mortgages</b>		
Gross amount	100,380	114,265
<b>Collectively Impaired</b>		
Gross amount	53,630	42,596
Allowance for impairment	(53,630)	(42,596)
Carrying amount	—	—
<b>Past due but not impaired</b>		
Gross amount	27,488	51,360
<b>Past due comprises</b>		
30-60 days	19,220	23,413
61-90 days	1,948	4,170
91-180 days	2,253	3,961
Over 180 days	4,067	19,816
Allowance	(8,443)	(20,298)
Carrying amount	19,045	31,062
<b>Neither past due nor impaired</b>		
Gross amount	19,262	20,309

The NIBTT granted mortgages based on evaluations of the mortgagees' financial situation, and continually monitors the exposure of potential losses from mortgages.





# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

June 30, 2011

## 23. Financial Risk Management (continued)

### Credit Risk (continued)

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

	2011 \$'000	2010 \$'000
Mortgages:		
Provisions as at July 1	62,894	96,012
Movement for the year	(821)	(33,118)
	<hr/>	<hr/>
Provisions as at June 30	(62,073)	62,894

### 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.

The NIBTT holds collateral to cover its credit risks associated with specific investment securities considered most at risk. At the reporting date the shortfall in the value of these securities resulted in an adjustment of \$173,509,000 (2010: \$157,954,000).

There exists certain matured deposits which are past due but not impaired. No provisions have been made against the amounts. The basis for this treatment is described in Note 14.

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

	2011 \$'000,000	2010 \$'000,000
<b>Concentration by sector</b>		
Corporate	3,885	5,254
Foreign Investment	2,424	2,025
Sovereign	3,465	3,587
Equity	5,464	4,666
	<hr/>	<hr/>
	15,238	15,532

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

	2011 \$'000,000	2010 \$'000,000
<b>Concentration by location</b>		
Trinidad	12,814	13,514
Regional	63	58
International	2,361	1,960
	<hr/>	<hr/>
	15,238	15,532

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

June 30, 2011

## 23. Financial Risk Management (continued)

### Liquidity Risk

The following are the contractual maturities of financial assets and liabilities:

	Up To One year \$'000	One to Five Years \$'000	Over Five Years \$'000	Total \$'000
<b>As at June 30, 2011</b>				
Other liabilities	113,870	—	—	113,870
<b>As at June 30, 2010</b>				
Other liabilities	73,814	—	—	73,814

By an Act of Parliament, benefit payments are derived from current month contributions.

### Market Risk

#### Interest rate risk

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

	2011 \$'000	2010 \$'000
<i>Fixed rate instruments</i>		
Financial asset	6,577,657	8,070,262
<i>Variable rate instruments</i>		
Financial asset	771,616	829,092

#### Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the year end would have increased (decreased) the long-term benefits fund 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 2010.

	100 bp Increase	100 bp Decrease
Effect in TT\$'000		
June 30, 2011	77,191	(77,191)
June 30, 2010	89,024	(89,024)

#### Currency risk

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

	TT \$'000	US \$'000	Total \$'000
<b>As at June 30, 2011</b>			
<b>ASSETS</b>			
Cash and cash equivalents	2,988,385	505,743	3,494,128
Investment securities			
Equities	5,903,591	1,455,320	7,358,911
Other	—	529,399	529,399
State and corporate bonds	5,996,334	1,353,234	7,349,568
<b>TOTAL ASSETS</b>	14,888,310	3,843,696	18,732,006



# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

June 30, 2011

## 23. Financial Risk Management (continued)

### Market Risk (continued)

#### Currency risk (continued)

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

As at June 30, 2010	TT \$'000	US \$'000	Total \$'000
<b>ASSETS</b>			
Cash and cash equivalents	824,461	18,984	843,445
Investment securities			
Equities	4,808,189	1,435,358	6,243,548
Other	—	440,858	440,858
State and corporate bonds	7,430,230	1,416,993	8,847,222
<b>TOTAL ASSETS</b>	<b>13,062,880</b>	<b>3,312,193</b>	<b>16,375,073</b>

The following significant exchange rates were applied during the year:

	Average Rate		Reporting Date Spot Rate	
	2011	2010	2011	2010
USD	6.424	6.3628	6.424	6.3628

#### Sensitivity Analysis

A 1% strengthening of TTD against USD at year end would have increased (decreased) the long-term benefits fund 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 2010.

	Long-term Benefits Fund	
Effect in TT\$'000	2011	2010
TTD	33,379	18,207

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.

	2011	2010
USD	(5,196)	(2,861)

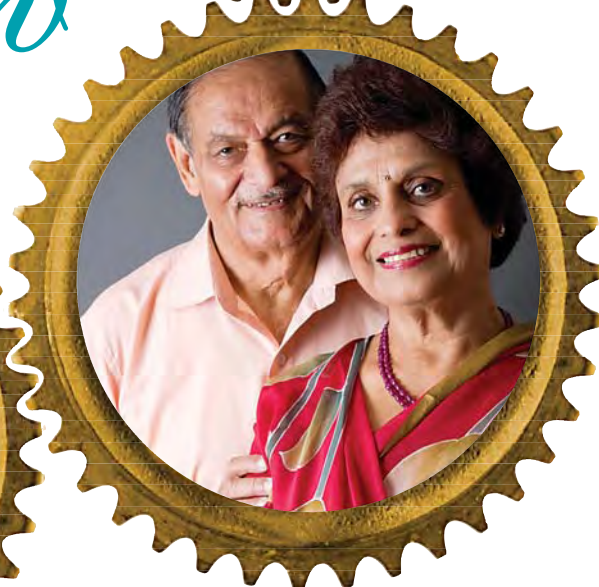
## 24. Staff Complement

The staff complement as at June 30, 2011 was 649 (2010: 692).





YEAR IN *Review*





# YEAR IN *Review*

7th Annual  
Actuarial  
Implementation  
Meeting



Administrative Professionals Day – Teamwork



NIBTT Call Centre



Children's Christmas Party



Community Outreach Programmes



# YEAR IN *Review*



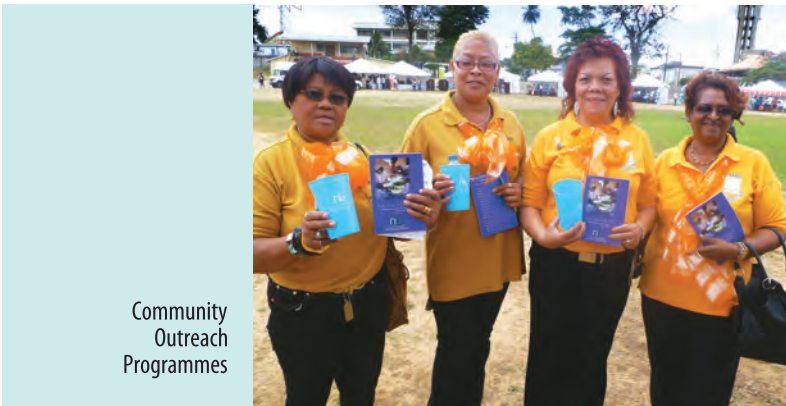
ED's Open House



Inter Bank  
Football  
League



ILO Meeting



Community  
Outreach  
Programmes







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