



ALGEMEEN PENSIOENFONDS SINT MAARTEN FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 2017

Initialed on behalf of  
Grant Thornton

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## 1. Board of Directors Report

### 1.1 Foreword

The Algemeen Pensioenfonds of Sint Maarten (hereinafter named APS or the Fund) is a self-governing entity and forms part of the portfolio of the Minister of Finance of Sint Maarten. The Fund was established by law as of October 10, 2010 and is one of the three legal successors of Algemeen Pensioenfonds Nederlandse Antillen (APNA).

The law that governs the Fund is the national ordinance: "Landsverordening Algemeen Pensioenfonds Sint Maarten" LvO APS (AB 2010, no 64 superseded by AB 2015, no 9). APS became Sint Maarten's first pension fund for civil servants. The Fund started its operations in Sint Maarten in 2011.

### 1.2 Mission and Core Values

Our mission is to achieve the highest possible returns on the Fund's assets, while minimizing financial risks, therefore contributing to the welfare of our members by safeguarding their future pension benefit.

In line with its mission the important roles of the Fund are to:

1. Provide peace of mind to active fund participants and deferred beneficiaries who based on employment history are entitled to a pension upon retirement. To achieve this, we are committed to safeguarding pensionable earnings of our participants. For retirees already enjoying pension benefits, it is important that they can rely on continuous receipt of their pension earnings;
2. Provide the highest level of customer service, by being proactive, flexible and provide information in a timely manner. Our service model makes use of our official website and brochures, to disseminate information to fund participants;
3. Develop and implement a business model which allows the proper execution of the pension plan and;
4. Use cutting-edge professional knowledge, skills and operations in serving our responsibilities.

The core values of the Fund are based on the principles 'clean, lean and mean' which are further defined as:

Clean = integrity, transparent, open communication, independent and reliable;

Lean = efficient, prudent decision making, professional services;

Mean = no-nonsense approach, stringent execution of the 'PLvO', the 'LvO APS' and other relevant legislations.

### 1.3 General

The Fund executes two main pension schemes that are regulated in two ordinances. The transition articles of the 'PLvO' (GT no. 785) in conjunction with 'Pensioenverordening Burgerlijke Landsdienaren' (PB 1938, no 15) regulates the pension for the participants that entered the fund before January 1, 1998 and is referred to as "the old pension scheme". The 'PLvO' hereafter to be referred to as "the Pension Ordinance" regulates the pension of the participants that have become employed as of January 1, 1998 and is referred to as "the new pension scheme". Every government employee who was hired on or after January 1, 1998, with some exceptions, takes part in the new pension scheme. As of July 1, 2016, the ordinance was amended. The amendments are regulated in AB 2016, no. 16 and AB 2016, no. 25. The most significant amendment includes the increase of the pensionable age from 60 to 62.

<sup>1</sup> Pensioenlandsverordening Overheidsdienaren

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## 1.4 Governance

The governance function of APS has been largely pre-defined in the LvO APS. Herein, the number of board members, the roles and responsibilities of entities within the fund and the supervision by the Minister of Finance, the Audit Chamber and the Central Bank of Curacao and Sint Maarten (hereafter CBCS) are also regulated.

### Board Composition

The composition of the board in 2017 as supported by the 'Landsbesluiten (no. LB-18/0059, LB-17/0676, LB-16/1101, LB-16/0768, LB-14/0505)' was as follows:

Name	Position	Nominated by:
Mr. Franklyn E. Richards	Chairman / Member	The Board of APS
Mr. Arend Jan Alberts	Member	BGNAA
Ms. Shaira Bommel	Member	Corporate Governance Council
Ms. Davinia N. Carbière	Member	The Minister of Finance
Mr. Guillianio A. A. Saturnilia	Member	Civil Service Consultative Committee

On December 31, 2017, there was one vacancy on the board of the Fund. The vacancy was for the Chairman Mr. Richards. On October 9, 2017 the term of Mr. Richards expired. Mr. Richards was reappointed on February 7, 2018 via 'Landsbesluit' no. LB-18/0059. In the interim the Acting Chairman of the board was Mr. Saturnilia.

### Investment Committee

As prescribed by the 'LvO APS' the Fund also has an Investment Committee ("IC") in place.

The committee advises the APS Board of Directors on the overall investment policy and guidelines as well as gives insight into different investment opportunities.

In 2017 there were three members:

Name	Position
Mr. Robert Judd	Chairman / Member of the IC
Mr. Charles G. Thomas	Member
Ms. Myrtille Brookson	Member

### Management of the Fund

The daily operation of APS is overseen by the general director and is supported by the deputy director. Together they form the APS directorate. Both report to the APS board and their performance is evaluated yearly by the APS Board of Directors. As per the end of 2017 the deputy director was vacant and had not yet been filled as of the date of this report.

### Compliance: Security Screenings

The Security Service of Sint Maarten (Veiligheidsdienst Sint Maarten-VDSM) is tasked with conducting the screening for positions of confidentiality. The board and the management of the fund are positions of confidentiality and as such must undergo this screening process. As per the end of 2017 the members of the board and the members of management had been successfully screened by the security service.

Additionally, the CBCS performs their own fit and integrity testing. As per the end of 2017 the members of the board and the members of management had successfully completed the fit and integrity testing.

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### **Supervision of the Fund**

The Minister of Finance is ultimately responsible for the fund. In this regard the Minister of Finance approves the annual budget, presents the approved budget to Parliament, formalizes additional supervisory rules based on the advice of the CBCS and provides advice to the Board of APS.

The Board of Directors is responsible for the management and the administration of the Fund. As such the Board is tasked with the hiring of the members of the directorate and the staff of the Fund.

The CBCS is tasked with the supervision of APS. CBCS also provides supplementary advice to the Minister of Finance and the Board of APS<sup>2</sup>.

### **Compliance: Audit**

The board has appointed a registered accountant who is commissioned with auditing of the administration and annual financial statements of the Fund. The Fund has appointed a certified actuary who provides the Fund with the pension benefit obligation based on the actuarial calculation.

The annual financial statements are prepared in accordance with the International Financial Reporting Standards (IFRS) and audited by Grant Thornton Sint Maarten. Willis Towers Watson (Netherlands) has certified the pension administration and provided an actuarial statement.

The General Audit Chamber receives the approved annual Financial Statements of the Fund along with the Independent Auditor's Report and Independent Actuarial Report. The General Audit Chamber audits the annual Financial statements of APS and publishes their findings and recommendations in an annual compliance report.

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<sup>2</sup> Article 20-25 of the Landsverordening Algemeen Pensioenfonds Sint Maarten

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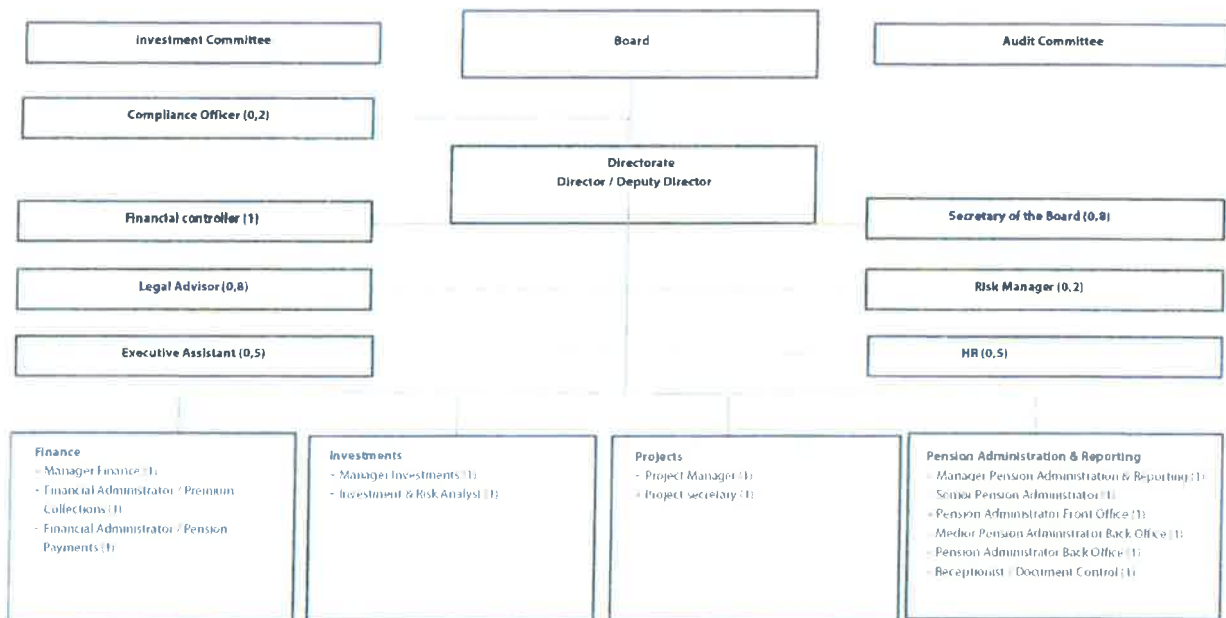
## Structure of the Fund

APS started in the year 2011 with 3 employees and increased to 10 employees in the year 2012. By the end of 2017 APS had 16 full time employees.

The structure of the Fund was reviewed in 2017, which resulted in a new organizational structure that became effective in November 2017. As per the end of 2018 the Financial Controller, Investment & Risk Analyst and Project secretary functions were vacant. The Financial Controller and Project secretary functions were filled in August 2018. As per the date of this report the Investment & Risk Analyst function is vacant.

The Fund consists of four departments:

- Finance Department
- Investments Department
- Projects Department
- Pension Administration and Reporting Department



- The Investment committee advises the APS Board of Directors on the overall investment policy and guidelines as well as gives insight into different investment opportunities.
- The Audit committee reviews and discusses financial reporting and compliance with the internal control system and advises the board.
- Compliance officer oversees the Corporate Compliance of the Fund, functions independently and objectively. The responsibilities also include reviewing and evaluating compliance issues/concerns within the organization.
- The General Director is the primary contact person for the Board as it pertains to the Fund's policies and strategic planning.
- The Deputy Director; in the event that the General Director is absent, the deputy becomes the contact person for the Board as it pertains to the Fund's policies and strategic planning.

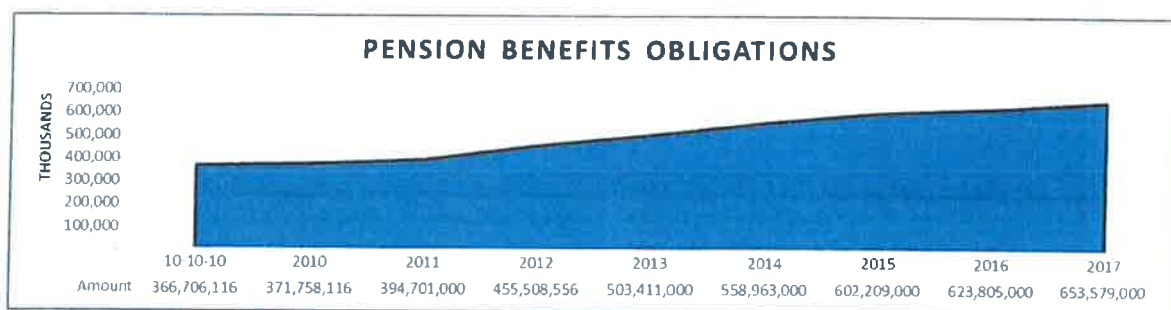
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- The Secretary of the Board actively participates in the meetings of the Board and prepares the agenda, reviews the quality of the documents for the meetings and documents and monitors decisions taken by the board.
- The Financial Controller reviews and analyses reports prepared by management, monitors the budget, provides prognosis on the liquidity of the fund and advises the general director with regards to the efficiency and the effectiveness of company processes.
- The Risk Manager advises on and executes the risk management policies and ensures the awareness of potential risks within the organization.
- The Executive Assistant is responsible for providing support to the general director. This includes preparing and processing official external communication such as formal letters, the APS website, and the APS Facebook page.
- The Legal Advisor provides legal support to the organization by the interpretation and application of relevant laws and regulations and by testing the consistency of policies, documents and procedures with current legislation of the Fund and advises on this.
- HR: HR advises on and implements the HR policy, administers the salary of the staff of the Fund and organizes and advises on recruitment and selection procedures.
- The Pension Administration & Reporting Department: The activities include the calculation and allocation of the various pensions to its participants, the administration of the participants and the actuarial/financial analyses for the actuarial reports.
- The Finance Department: The activities include the collection of premiums, payments to beneficiaries, financial administration, financial analysis, preparation of the annual report.
- The Investments Department: The activities include the preparation and execution of investment opportunities, recommending on the investment policy and the monitoring of the existing investments.
- The Projects Department: is responsible for executing local investment projects.

### 1.5 Development of the Pension benefit obligations

Below is a graph with the development of the Pension benefits obligation since the inception of APS:



#### Premiums are insufficient to cover costs

The pension premium income for 2017 amounts to ANG 38 million. This amount is insufficient to cover the Fund expenses of ANG 54 million. The Fund expenses comprise of the pension benefits payments (ANG 19.6 million), the operational expenses (ANG 5 million) and the net increase in pension benefits obligation (ANG 29 million). The premium revenue should be sufficient to sustain the Fund, however in the case of APS it is apparent that the legal premium at 25% of the salary sum is insufficient (the premium of 25% is not cost-effective). This has been the case for the last years and to increase the financial stability of the Fund, structural pension reform is required.

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## **Pension reform**

Currently, the final stages for the implementation of the reform of the pension scheme are ongoing. The following stakeholders are participating in this process:

- the Ministries of General Affairs, Finance and VSA of the Government of St. Maarten;
- the unions representing the civil service and personnel of the public and subsidized schools;
- the General Pension Fund of St. Maarten (APS).

APS was appointed to take the lead role in the pension reform, given its expertise in pensions, related day-to-day operational issues and relevant legislation.

Main topics of the reform discussions were:

- Retirement age increase to 65;
- Defined contribution vs defined benefit scheme;
- Conditional indexation (this is based on the coverage ratio >105%);
- Average pay pension system;
- Premium contribution is reduced to 18%;
- Pension accrual from age 18;
- Recovery mechanisms.

The goal of the reform is to ensure that the pension scheme is financially sustainable. The pension covenant was signed in January 2017. The pension covenant contains the points agreed upon between the members of the work group, pertaining to several pension-related topics. The agreement was limited to the topics on which consensus had been reached prior to December 2016, such as the switch to an average pay pension scheme, the increase of the pensionable age to 65 years, and a one-time increase of pension entitlements by 10% of the accrued rights.

The financing agreement was also signed in 2017, with following elements confirmed:

- The pensionable age is 65;
- The pension buildup amounts to 2% per year;
- Average pay pension system;
- The premium contribution percentage is 18%;
- Indexation is granted after certain conditions are met.

According to the pension reform, APS must draw up a recovery plan if the coverage ratio is lower than 100% at the end of the year. The recovery plan describes measures that must ensure that the funding ratio will be higher than 100% in five years. If after 5 years, the funding ratio is not higher than 100% additional measures will be taken such as:

- The employers pay a one-off extra single premium;
- The pension of all participants and beneficiaries are reduced.

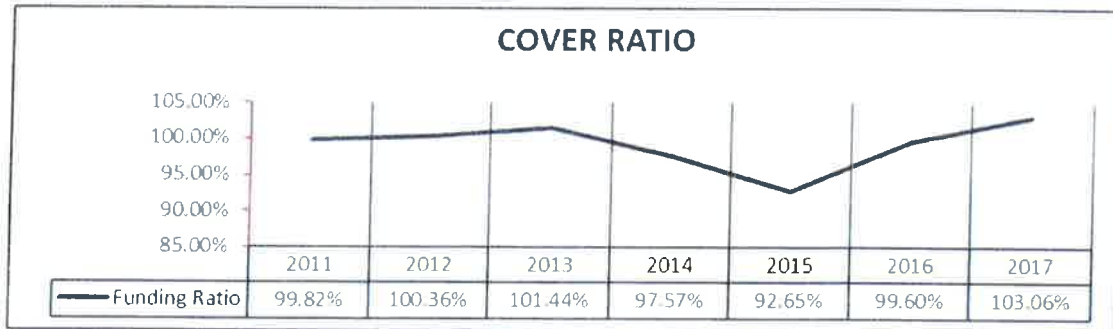
In the event that the coverage ratio is reduced below 100% due to the adaptation of the actuarial principles, the Minister of Finance can make a financing agreement to determine a contribution (max 19.3%) to the Fund to partially or fully absorb the reduction.

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### 1.6 Coverage Ratio Development

The coverage ratio as per December 2017 is 103.06%, This is above the minimum of 100%, meaning that the Fund will be able to fully meet its current and future financial obligations to its participants with all variables unchanged.



The coverage ratio has increased with approximately 3.2% compared to 2016: This change is a result of but not limited to:

- The increase of the total assets from ANG 629 million (2016) to ANG 681 million (2017) with 8.3%,
- The increase of the pension benefits obligations from ANG 624 million (2016) to ANG 654 million (2017) with 4.7%.

If the pension reform is implemented, it is expected (based on these variables) that the coverage ratio will increase with approximately 5%.

### 1.7 Investment Portfolio

The performance of the Total Investment Portfolio, which consists of the international portfolio and the local portfolio, yielded a net year-end return of +6.97%. APS has therefore exceeded the targeted return of 5.50% over the invested assets in 2017.

The total net investment income is ANG 35 million in 2017, compared to ANG 25 million in 2016. The significant increase is the result of the performance of the international portfolio.

#### Local Portfolio

In December, the Local Portfolio yielded a YTD return of +3.59%, including cash. The Local Portfolio did meet the APS investment objective to approximate an average return of 3% - 6% annually as stated in the Master Investment Policy Statement (hereafter MIPS).

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The local portfolio is further detailed as follows:

**Investment properties**

Mary's Fancy Development  
Professional Office Park Investment Property  
Parking Lot Development

**Investments held to maturity**

Government Bonds N.A.  
Harbour Corporate Bond  
Telem Corporate Bond  
Time deposits

**Loans**

RF Adventure St. Maarten N.V.

**Inventories**

Oryx Hills Development

In the section below a brief explanation of each investment will be given as well as the impact of hurricane Irma:

***Mary's Fancy Development***

APS will restore the monuments such as the Plantation House, the Boiling House, the Chimney, the Servants' Quarter and the Well. Additionally, new construction is intended to optimize the future commercial use of the property such as a high-end eco boutique hotel, art gallery / outdoor museum and botanical gardens. The project is divided into four phases.

Phase 1: Infrastructure (sidewalk, bridge rock wall, trench, access and exit road)

After a period of planning and design, a "bidding process by invitation" was initiated, from which Windward Roads BV was selected as the contractor for the infrastructural works at the Mary's Fancy Plantation property. The first phase works were completed by the end of the first quarter in 2017.

Phase 2: The monuments restoration/renovation

This phase is still ongoing, the delay was due to the passing of the major hurricanes in the 3<sup>rd</sup> quarter of 2017. It is expected that the restoration/renovation will be completed by the end of Q1 2019.

Phases 3 Tropical Garden and 4 De Castro property restoration are expected to be completed in 2020. The effect of Hurricane Irma on this property was limited to debris and fallen trees.

***Professional Office Park***

APS purchased the professional office park in December 2016. The property comprises of two commercial buildings for which APS is now receiving lease. The effect of Hurricane Irma on this property was limited to debris and fallen trees.

***Parking Lot Development Park***

In September 2016 APS received this property as part of the debt settlement agreement with the Government of Sint Maarten. The property is the vacant (parking) lot adjacent to the Government

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Administration Building. APS expects to commence development of this property in Q3 2019. The effect of Hurricane Irma on this property was limited to debris and fallen trees.

#### **Harbour Corporate Bond**

The Harbour Corporate Bond was acquired in 2012. Until the end of q3 2017 the Harbour was able to satisfy its obligation under their Bond agreement. Unfortunately, the Port suffered extensive damages to its properties and expected to suffer significant business interruption losses. In view of the challenging circumstances the Port requested several relief measures, one of which was to defer the payment of Principal and Interest for a period of twelve (12) months, with interest being capitalized over this period. On the short term, this will have a positive effect on APS's return on investment because interest will be calculated over a higher amount and over a longer period. The APS Board approved the request based on a thorough financial analysis by APS Management, which was supported with a positive advice from the Investment Committee. Overall, the Harbour has always shown a good track record with regards to the payment of the Debt Service. The most important mitigating factor is that the Bond is fully covered by a repurchase guarantee from the Central Bank of Curacao and Sint Maarten. Therefore, we believe that the risk of deferring debt service for twelve months is acceptable.

#### **Telem Corporate Bond**

Telem, much like all companies on the island, did not come through the passing of hurricane Irma unscathed. To date Telem has not requested any deferral of debt service or additional financing. Telem has continued to satisfy its obligations under their Bond agreement and we expect them to continue doing so in the future.

#### **RF Adventure St. Maarten**

The Fund entered into a financing agreement with RF Adventure St. Maarten (RFA) in May 2016. In September 2017, the passing of hurricane Irma has also created extraordinary circumstances for RFA. RFA reported that they were fortunate to incur limited damages to their assets. However, delays to the opening of the attractions caused extra pressure on the financials. The financials are estimated to recover in the later part of 2019 with the economic upturn in the tourism sector. For the operating year 2017-2018, however, net free cashflow is insufficient for interest expenses. Therefore, RFA requested to defer interest payments for the period from September 2017 through September 2018.

In addition, RFA has also requested to push back the start of principal repayments to October 2019 due to insufficient cash available for principle repayments during this period, which is basically an extension of the grace period of eight (8) months. As a result, the term of the loan will increase with eight (8) months as well, which will slightly increase our return on investment due to interest will be calculated over a higher amount and over a longer period. Based on the financial analysis by APS Management and a positive advice from the Investment Committee, the APS Board approved the request.

As Sint Maarten has always been an important stop for cruise ships on the Eastern Caribbean route. It is expected that cruise lines, which accounts for RFA's largest income stream, will gradually return to the island. APS recognized the negative impact of hurricane Irma on the 2017- 2019 financials of RFA and understood that on the short term it may prove difficult to fully satisfy all the terms with regards to interest payments and principle repayments. Therefore, based on the circumstances and financial impact to the initial projections we found it acceptable to defer debt service and expect that RFA will be able to fulfill its obligations in the future.

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**Oryx Hills Housing development**

APS will finance the construction of affordable homes in Cay Hill on a parcel of land obtained in long lease from the Government of Sint Maarten. The homes will be sold to potential buyers. The project is divided into four phases.

**Phase 1: Design**

The first phase was completed in June 2018. The construction of the residences will commence in the summer of 2018, the construction relates to phase 2 Development/Construction residences and phase 3 Development/Construction infrastructure. Construction is estimated to take 1 year. Phase 4 Procurement is expected to start in 2019.

The other local investments such as the **Government Bonds N.A.** and the **Time deposits** are held with financial institutions such as banks and have continued to satisfy their obligations. The Fund expects that this will continue in the future.

**International Portfolio**

The results of the international portfolio are a result of but not limited to:

Calender Year 2017	Calender Year 2016
<ul style="list-style-type: none"> <li>The APS fixed income composite portfolio (bonds only) gained approx. +3.63% during 2017.</li> </ul>	<ul style="list-style-type: none"> <li>The APS Fixed Income sleeves strongly out-performed, gaining approx. +7.04% net vs. the APS Fixed Income Composite gaining +4.68%.</li> </ul>
<ul style="list-style-type: none"> <li>The US fixed income markets surprised most investors in that bonds did better than was predicted at the outset of 2017. Despite that fact that the US Federal Reserve Bank increased interest rates +0.25% on three separate occasions, bonds held their market values quite well because of high demand, and lower relative global bond issuance. Also, as credit spreads narrowed, higher yielding bonds appreciated more than higher quality bonds, thereby helping the EM bond market.</li> </ul>	<ul style="list-style-type: none"> <li>The fears of rapidly rising interest rates abated, and the over-sold nature of the bond market in 2015 recovered. The FED announced a Dovish policy towards reversing the QE program, and announced the interest rates would go up gradually. The FED only increased interest rates once, in 2016, in December.</li> </ul>
<ul style="list-style-type: none"> <li>A widespread recovery in the Emerging Markets economies as the US Dollar declined in the high single digits, while commodity prices firmed and began to rise.</li> </ul>	<ul style="list-style-type: none"> <li>The emerging market fixed income rallied very strongly, the APS EM bond portfolio gained approx. +16.03%, due to improving EM economies and the price of commodities and energy rebounding from the low valuations in February 2016.</li> </ul>
<ul style="list-style-type: none"> <li>The APS equity composite portfolio (stocks only) gained approx. +15.55% during 2017</li> </ul>	<ul style="list-style-type: none"> <li>The APS equity sleeves gained approx. +8.55% vs. the APS Equity Composite benchmark gaining +13.48%</li> </ul>
<ul style="list-style-type: none"> <li>US equities increased in value significantly more than average, with historically low levels of volatility and fear. Depending on the sector, in 2017 US equities gained in the mid-teens to the low 20% range.</li> </ul>	<ul style="list-style-type: none"> <li>In 2016 the US equity strategies performed well vs. non-US, led by: small companies (Micro cap gaining approx. +26.1%, Small cap gaining approx. +17.5%), energy and commodity companies (+29%), and REITs, Long/Short, and Large Cap Value sectors.</li> </ul>
<ul style="list-style-type: none"> <li>Virtually all global economies growing together for the first time since 2005/06. With the exception of Russia, all major economies saw positive GDP numbers, which generally strengthened as the year progressed.</li> </ul>	<ul style="list-style-type: none"> <li>The non-US equity strategies went from negative returns in 2015 to slightly positive returns overall in 2016.</li> </ul>
<ul style="list-style-type: none"> <li>The win by President Donald Trump led to many positives for US companies and consumers such as increased de-regulation is leading to a more favorable business climate, allowing more new companies to launch, and others to be more competitive globally. In 2017, 17 regulations were dismissed for every 1 regulation that was created.</li> </ul>	<ul style="list-style-type: none"> <li>The Presidential election in November removed uncertainty about the future and gave the markets reasons to be positive about the economic future.</li> </ul>

The international portfolio had a return of +11.83%, including cash. The International Investment Portfolio did meet the APS investment objective to approximate an average return of 7% - 11% annually as stated in the Master Investment Policy Statement.

In 2017, the global economies grew together for the first time since 2005/06. With the exception of Russia, all major economies saw positive GDP numbers, which strengthened as the year progressed. The surprising win by President Donald Trump led to many positives for US companies and consumers such as:

- Increased de-regulation is led to a more favorable business climate, allowing more new companies to launch, and others to be more competitive globally. In 2017, 17 regulations were dismissed for every 1 regulation that was created.

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- The individual and corporate tax cuts were signed into law before year end, and the expectation that the tax cuts would be passed resulted in the markets rallying in advance of the signing of the law. While approx. 68% of the US GDP comes from the individual consumers who are seeing somewhat lower taxes, it was the US Corporate tax cut that had and will have the greatest impact on the US equity valuations and US economic expansion.

Additionally, the US fixed income markets surprised most investors in that bonds did better than was predicted at the outset of 2017. Despite that fact that the US Federal Reserve Bank increased interest rates +0.25% on three separate occasions, bonds held their market values quite well because of high demand, and lower relative global bond issuance. Also, as credit spreads narrowed, higher yielding bonds appreciated more than higher quality bonds, thereby helping the EM bond market.

### 1.8 Pension Administration development

The total number of registered active participants increased from 2590 in 2016 to 2601 in 2017. The average age of our active participants is 43.4 years old in 2017 this was 43.3 in 2016. A lower average age of the active participants would decrease the pension benefits obligation as the wages of the participants are lower. The overall average age has increased to 49.2 years; this is an increase from 48.8.

In 2017 the number of pension beneficiaries increased from 1083 to 1139 - with most of the pensions being senior pensions. A number of these pension beneficiaries are persons that requested their pension retroactively.

Despite the increasing number of pension beneficiaries in the Fund, the system dependency ratio remains positive but has decreased to a ratio of 1.43 in 2017 (1.54<sup>3</sup>). The ideal dependency ratio is 2. Management is vigilant in monitoring the development of this ratio. If the legislative amendments as a result of the pension reform are implemented the system dependency ratio can improve due to pension contributions starting from 18 years instead of 25 and the change of the pensionable age from 62 to 65.

### 1.9 Acknowledgements

We thank our fellow members of the Board (present and past), members of the Investment Committee, members of the Audit Committee, the Directorate and the staff, for their efforts to set up an organization which will be able to give the best services to the APS members and participants now and in the future.

Throughout 2017 the Board, Investment Committee, Audit Committee, the Directorate and staff of the Fund had the opportunity to work with many entities in various areas: structuring, analysis, executing and monitoring of (potential) investments, PR, ICT management, operational software and website development, etc. We are grateful to those entities and look forward to a continued fruitful working relationship in the future.



Mr. Franklyn Richards  
Chairman of the APS Board



Mr. Guillian Saturnilia  
Member of the APS Board

<sup>3</sup> The system dependency ratio is the ratio of active participants in the Fund to non-active participants (pension beneficiaries).

## 2. Financial Highlights

	2017	2016
<b>Associated Employers 1)</b>	29	29
		1) For a number of the associated employers not the entire staff participates in the fund.
<b>Number of Participants</b>		
Active registered participants 2)	2,601	2,590
		2) Registered employees of an associated employer who contributed premiums to the pension fund during the reporting year.
Participants with deferred rights 3)	681	602
		3) Former employees of an associated employer who have accrued pension, however no longer contributed pension premiums during the reporting year.
Pensioners	1,139	1,083
Actives/non actives participants	1.43	1.54
<b>Participants age average</b>		
Active participants	43.4	43.3
Non active participants	57.5	57.3
All participants	49.2	48.8
<b>Pension administration</b>		
All amounts are in thousand Netherlands Antillean guilders		
Actual premium 4)	25%	25%
		4) The 25% premium as stated in the "Pensioenlandsverordening Overheids-dienaren".
Pension Premiums	ANG 37,676	ANG 35,204
Pension administration expenses 5)	ANG 4,841	ANG 4,857
		5) The operational expenses of the fund (including investment management expenses) are circa 0.7% of the funds's assets.
Pension payments	ANG 19,616	ANG 19,086
Pension premiums/pension payments	1.92	1.84

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	2017	2016
<b>Solvency</b>		
All amounts are in thousand Netherlands Antillean guilders		
Pension assets	ANG 673,601	ANG 621,292
Minimum targeted pension assets	ANG 686,306	ANG 654,989
Pension obligation provision	ANG 553,579	ANG 623,805

Coverage ratio 6)	103.06%	99.60%
Minimum targeted funding ratio 7)	105.00%	105.00%
Total provision/provision pensioners	2.15	2.14

6) A funding ratio below 100% is one of the indicators that the reform of the current pension legislation is needed.

7) The Board-defined target for the funding ratio.

#### Investment portfolio

All amounts are in thousand Netherlands Antillean guilders

Equity	ANG 158,608	ANG 137,260
Fixed income	ANG 229,777	ANG 226,669
Division of assets	ANG 12,703,203	ANG 61,922

#### Investment performance

Targeted return	5.50%	5.50%
Total return	6.97%	5.74%
Return domestic portfolio	3.59%	4.33%
Return international portfolio	11.83%	7.20%

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### 3. Financial Statements

#### 3.1 Statement of financial position

As at 31 December

All amounts are in thousand Netherlands Antillean guilders

	Note	2017	2016
<b>Assets</b>			
Property and equipment	3.8	5,322	5,297
Intangible assets	3.9	54	156
Investment properties	3.10	20,563	20,196
Financial assets:			
Investments held to maturity	3.11	152,752	155,732
Investments held at fair value through profit or loss	3.12	223,133	195,697
Loans	3.13	10,935	8,079
Other non-current assets	3.14	12,809	61,922
<b>Total non-current assets</b>		<b>425,568</b>	<b>447,080</b>
Inventories	3.15	1,310	537
Accounts receivable	3.16	52,867	109,028
Other receivable	3.16	158	158
Accrued Interest Receivable	3.16	3,477	1,344
Short term portion of financial assets	3.17	12,500	12,500
Other current assets	3.18	161	263
Cash and cash equivalents	3.19	184,683	57,607
<b>Total current assets</b>		<b>255,156</b>	<b>181,436</b>
<b>Total assets</b>		<b>680,724</b>	<b>628,515</b>
<b>Equity</b>			
Reserves	3.20	(2,513)	(44,346)
Result current year	3.20	22,535	41,833
<b>Total equity</b>	3.20	<b>20,022</b>	<b>(2,513)</b>
<b>Liabilities</b>			
Pension benefits obligations	3.21	653,579	623,805
Other non-current liabilities	3.22	1,550	1,550
<b>Total non-current liabilities</b>		<b>655,129</b>	<b>625,355</b>
Accounts payable	3.23	238	589
Other payables	3.24	574	707
Accrued liabilities	3.25	4,760	4,377
<b>Total current liabilities</b>		<b>5,572</b>	<b>5,673</b>
<b>Total liabilities</b>		<b>660,701</b>	<b>631,028</b>
<b>Total equity and liabilities</b>		<b>680,724</b>	<b>628,515</b>

The accompanying notes are an integral part of these financial statements

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### 3.2 Statement of comprehensive income

For the period ended 31 December

All amounts are in thousand Netherlands Antillean guilders

	Note	2017	2016
<b>Revenues</b>			
Pension premium income	3.26	37,676	35,204
Pension premium income previous years	3.26	2,112	24,930
Investment income	3.27	39,767	28,461
Other income	3.28	1,480	2,170
<b>Total Revenues</b>		<b>81,035</b>	<b>90,765</b>
<b>Expenses</b>			
Pension benefits payments	3.29	19,616	19,086
Investment expenses	3.30	4,642	3,229
Operating expenses	3.31	4,841	4,857
Net increase/ (decrease) in pension benefits obligation	3.21	29,774	21,596
<b>Total expenses</b>		<b>58,873</b>	<b>48,767</b>
<b>Result from operating activities</b>		<b>22,163</b>	<b>41,998</b>
<b>Non operating expenses</b>			
Financial income / (expenses)	3.32	372	(165)
<b>Total non operating results</b>		<b>372</b>	<b>(165)</b>
<b>Profit</b>		<b>22,535</b>	<b>41,833</b>
<b>Other comprehensive income</b>			
<b>Total other comprehensive income</b>		-	-
<b>Total comprehensive income</b>		<b>22,535</b>	<b>41,833</b>
<b>Attributable to:</b>			
To the Fund		22,535	41,833
<b>Total comprehensive income</b>		<b>22,535</b>	<b>41,833</b>

The accompanying notes are an integral part of these financial statements

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### 3.3 Statement of changes in Equity

For the period ended 31 December

All amounts are in thousand Netherlands Antillean guilders

	Note	Attributable to the Fund			
		Retained earnings	Total	Non-controlling interest	Total equity
<b>At January 1, 2016</b>		(44,346)	(44,346)	-	(44,346)
<i>Comprehensive Income for the period</i>					
Profit for the period	3.20	41,833	41,833	-	41,833
<b>year ended December 31, 2016</b>	3.20	(2,513)	(2,513)	-	(2,513)
<i>Comprehensive Income for the period</i>					
Profit for the period	3.20	22,535	22,535	-	22,535
<b>Total comprehensive Income for the period</b>		<b>22,535</b>	<b>22,535</b>	<b>-</b>	<b>22,535</b>
<b>Total contributions by and distributions to the Fund</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Year ended December 31, 2017</b>	3.20	<b>20,022</b>	<b>20,022</b>	<b>-</b>	<b>20,022</b>

The accompanying notes are an integral part of these financial statements

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### 3.4 Statement of Cash Flows

For the period ended 31 December

All amounts are in thousand Netherlands Antillean guilders

	Note	2017	2016
<b>Cash flows from operating activities</b>			
Operating (loss) / profit		22,535	41,833
Adjustments for:			
Depreciation of property and equipment	3.8	74	76
Amortisation of intangible fixed assets	3.9	110	182
Depreciation of investment property	3.10	174	39
Unrealized (gain) loss on financial assets held at fair value through P&L	3.36	13,321	(12,310)
Unrealized (gain) loss on investments held to maturity	3.36	-	(637)
Increase in pension benefits obligations	3.21	29,774	21,596
Mutations work capital:			
Decrease (increase) in inventories	3.15	(774)	(537)
Decrease (increase) in accounts receivable	3.16	56,161	(18,750)
Decrease (increase) in other current assets	3.18	102	(183)
Increase (decrease) in accounts payable	3.23	(351)	134
Increase (decrease) in other payables and accrued liabilities	3.24/3.25	250	449
<b>Net cash flows from operating activities</b>		<b>121,376</b>	<b>31,891</b>
<b>Investing activities</b>			
Acquisitions			
Acquisition of property and equipment	3.8	(99)	(5,089)
Acquisition of intangible assets	3.9	(8)	(7)
Acquisition of investment properties	3.10	(541)	(16,125)
Acquisition of investment held to maturity	3.36	(3,496)	(32,500)
Acquisition of financial assets held at fair value through P&L	3.36	(446,017)	(325,661)
Acquisition of loans receivable	3.36	(2,856)	(8,079)
Proceeds			
Proceeds from maturities of financial assets held to maturity	3.36	6,475	15,808
Disinvestment of financial assets held at fair value through P&L	3.36	405,260	332,112
Proceeds from other investments	3.14/3.22/3.36	49,113	-
Interest received	3.17	(2,132)	(442)
<b>Net cash flow from investing activities</b>		<b>5,700</b>	<b>(39,984)</b>
<b>Cash flow</b>			
Net cash flow in cash and cash equivalents		127,076	(8,093)
Cash and cash equivalents at beginning of period	3.19	57,607	65,700
<b>Cash and cash equivalents at end of period</b>	3.19	<b>184,683</b>	<b>57,607</b>

The accompanying notes are an integral part of these financial statements

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### 3.5 General Notes

Algemeen Pensioenfonds Sint Maarten is one of the legal successors of the former 'Algemeen Pensioenfonds van de Nederlandse Antillen (APNA) and is expected to continue carrying on the role of its predecessor. The Fund is established in Sint Maarten and the address of its registered office is Yogesh Commercial Complex unit 1A /1B, A.J.C. Brouwersweg # 4, Cul-de-Sac, Sint Maarten.

The financial statements have been approved for issue by the APS Board of Directors on October 25, 2018.

The Fund executes two main pension schemes that are regulated in two ordinances. The transition articles of the 'PLvO' (PB 1997, no 312) in conjunction with 'Pensioenverordening Burgerlijke Landsdienaren' (PB 1938, no 15) regulates the pension for the participants that entered the fund before January 1, 1998 and is referred to as "the old pension scheme". The 'PLvO' hereafter to be referred as "the Pension Ordinance" regulates the pension of the participants that have become employed as of January 1, 1998 and is referred to as "the new pension scheme". Every government employee who was hired on or after January 1, 1998, with some exceptions, takes part in the new pension scheme.

Based on the new legislation as of July 1, 2016 the pensionable age of 60 increased to 62 and the maximum accrual changed from 70 to 74%.

In the new ordinance is it stipulated that employees, who were between the ages of 58 and 60 on July 1, 2016, still can request their pension at the age of 60 years.

The participants of the old and new pension scheme and their family members are entitled to the following benefits:

- retirement pension (pensionable age: 62 years<sup>4</sup>);
- disability pension;
- widow's/widower's and orphan's pension.

The accrual of retirement pension commences from the age of 25 years. Participants younger than 25 are entitled to the following benefits:

- disability pension;
- widow's/widower's and orphan's pension.

The pension scheme is based on a final pay system, where the pension is calculated based on the average of the base salaries earned in the two calendar years before reaching pension age minus the 'AOV franchise'. The pension accrual percentage for active participants whose employment commenced on or after January 1, 1998, amounts to 2% per year for a maximum of 37 years in service. For participants that were employed before January 1, 1998 the pension builds up amounts to 2.5% for first 20 years of service and 1.67% for next 12 years of service.

The pension for widows/widowers and orphans amounts to 70/100 and respectively 14/100 of the retirement pension. The total amount of widow's/widower's and orphan's pension per participant cannot exceed its retirement pension.

<sup>4</sup> The pensionable age was increased to 62 as per July 1, 2016 Pensioenlandsverordening Overheidsdienaren AB 2016, no 25

The employers affiliated with the Fund are:

Affiliated Employers

1 Government of Sint Maarten

**Schoolboards**

- 2 Foundation for Academic and Vocational Education
- 3 Stichting Katholiek Onderwijs
- 4 Methodist Agogic Centre Foundation
- 5 Stichting Protestant Christelijk Onderwijs
- 6 SVOBE
- 7 St. Maarten Seventh Day Advenstis Education Found.

**Government N.V.'s and foundations**

- 8 Philipsburg Jubilee Library
- 9 Princess Juliana International Airport
- 10 Postal Services St. Maarten
- 11 Nieuwe Post Nederlandse Antillen N.V.
- 12 Analytisch Diagnostisch Centrum N.V.
- 13 Sint Maarten Harbour Group of Companies
- 14 St. Maarten Laboratory Services
- 15 Bureau Telecommunicatie en Post St. Maarten
- 16 Bureau for Intellectual Property
- 17 Telem Group of Companies
- 18 United Telecommunication Services
- 19 National Institute for Professional Advancement

**Public entities**

- 20 Centrale Bank van Curacao & St. Maarten
- 21 Sociale & Ziektekosten Verzekeringen
- 22 Algemeen Pensioenfonds Sint Maarten

**High Council organisations**

- 23 Leden van de Staten
- 24 Raad van Advies
- 25 Sociaal Economische Raad
- 26 Kabinet van de Gouverneur Sint Maarten
- 27 Algemene Rekenkamer
- 28 Ombudsman
- 29 Raad voor de Rechtshandhaving

The number of registered participants of the Fund are as follows:

The total number of participants in the fund is 4421. This consists of 2601 registered active participants, 681 participants with deferred rights and 1139 beneficiaries.

**Participants**

	2017	2016
Active Participants	2,601	2,590
Participants with deferred rights	681	602
Pensioners	1,139	1,083
<b>Total</b>	<b>4,421</b>	<b>4,275</b>

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### **Funding policy**

The main objective of the Fund is to ensure that the Fund will always be able to meet its obligations to its participants. Therefore, the Fund aims to achieve a funding ratio of 105%. The current funding ratio is 103.06% which is lower than the targeted amount. The Fund conducts an Asset /Liability Management (ALM) study once every three to five years<sup>5</sup> to ensure the sustainability of the Fund. The results of this study will provide APS with a clear overview on the following actions:

- identifying the short and long-term risk, such as premium rate, indexation, pension age, pension system (average or final pay), investment policies etcetera, for the execution of the current pension legislation;
- establishing premium rates for active participants and employers to ensure that adequate levels of funding are maintained;
- establishing proposals for pension scheme changes, such as pension age, average pay system etc.;
- establishing the long-term investment policy and performing annual investment structure reviews.

### **Investment policy**

The investment policy sets forth the guidelines which the Board of Directors deems to be appropriate and prudent in consideration of the needs of and the legal requirements applicable to APS's investment program.

The overall objective of the Fund's investment policy is to provide participants with benefits as regulated in the Pension Ordinance. This will be accomplished through a carefully planned and executed long-term investment program that efficiently and effectively allocates and manages the assets of the Fund.

The policy has been designed to allow the Fund to achieve a minimum rate of return of 5.5% over the long-term. The assets of APS will be broadly diversified to minimize the effect of short-term losses within any investment program. All investment transactions shall be designed and executed solely in the interest of, and for the exclusive purposes of providing benefits to participants and minimizing employer contributions.

The policy targets for the local investments are expected to be implemented over a period of four to five years. The policy targets for the international investments will be in effect from the initiation of the international investments.

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<sup>5</sup> The last ALM-study was conducted in 2014

The permissible ranges are listed in the following table:

All amounts are in thousand Netherlands Antillean guilders

**Asset allocation as at December 31, 2017**

	2017	Actual %	Policy Target %	Difference	Allowable Range relative to target
<b>Total Equity</b>	<b>158,608</b>	<b>26.2%</b>	<b>24.0%</b>	<b>-2.24%</b>	<b>+/- 20%</b>
External Global Fixed Income & Money Funds	64,524	10.7%	16.0%	5.3%	+/- 10%
Local Fixed Income, Loans & Bank Time Deposits	176,187	29.1%	45.4%	16.3%	+/- 5%
<b>Total Fixed Income</b>	<b>240,712</b>	<b>39.8%</b>	<b>61.4%</b>	<b>21.6%</b>	<b>+/- 5%</b>
Internal Real Estate	20,563	3.4%	3.0%	-0.4%	+/- 1%
Internal Projects	-	0.0%	10.6%	10.6%	+/- 1%
Cash	184,683	30.5%	1.0%	-29.5%	0% - 10%
<b>Total</b>	<b>604,566</b>	<b>100%</b>	<b>100%</b>	<b>0%</b>	<b>N/A</b>

**Asset allocation as at December 31, 2016**

	2016	Actual %	Policy Target %	Difference	Allowable Range relative to target
<b>Total Equity</b>	<b>137,260</b>	<b>31%</b>	<b>24.0%</b>	<b>-6.52%</b>	<b>+/- 20%</b>
External Global Fixed Income & Money Funds	58,437	13%	16.0%	3.0%	+/- 10%
Local Fixed Income, Loans & Bank Time Deposits	176,311	39%	45.4%	6.2%	+/- 5%
<b>Total Fixed Income</b>	<b>234,748</b>	<b>52%</b>	<b>61.4%</b>	<b>9.2%</b>	<b>+/- 5%</b>
Internal Real Estate	20,196	4%	3.0%	-1.5%	+/- 1%
Internal Projects	-	0%	10.6%	10.6%	+/- 1%
Cash	57,607	13%	1.0%	-11.8%	0% - 10%
<b>Total</b>	<b>449,811</b>	<b>100%</b>	<b>100%</b>	<b>0%</b>	<b>N/A</b>

A comprehensive Asset Allocation Strategy analysis is completed at least once every three years and is presented to the Board of Directors for review and approval of Policy target asset class allocations and ranges. The Management may recommend a more frequent analysis of asset class allocations and ranges if expected returns, risks or liability values have substantially changed since the prior analysis. Additionally, the Program is then reviewed by Consultants and APS Management at least annually to ensure that all assumptions used in establishing the Program continue to be reasonable.

The Program analyses the current and expected financial condition of APS including the projected APS's liabilities. The analysis will also encompass the expected long-term capital markets outlook, expected inflation, and APS's risk tolerance.

A financial or real asset type is considered as an asset class if it has a risk, return, and correlation profile sufficiently different from existing APS asset classes, and if its inclusion or exclusion materially affects the expected risk and return of APS's total return.

Once APS approves an asset class for investment, as part of the Program, the investment may only be made in accordance with a policy reviewed and approved by the Board for that asset class. Such a policy does specify the investment guidelines and provide for the monitoring of that asset class.

The investment policy is a dynamic policy and will be reviewed from time to time primarily based on a periodic Asset Liability Management (ALM) study.

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### 3.6 Accounting policies

#### **Basis of preparation**

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

#### **Statement of compliance**

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

#### **Basis of measurement**

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of land and buildings, investment property, available-for-sale financial assets, and financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

The preparation of financial statements in conformity with adopted IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Fund's accounting policies. The areas where significant judgments and estimates have been made in preparing the financial statements and their effect are disclosed at the end of this note.

#### **Functional and presentation currency**

These financial statements are presented in Netherlands Antillean Guilders, which is the Fund's functional currency. The exchange rate used for USD/ANG is 1/1.80.

Except as otherwise indicated, financial information presented in Netherlands Antillean Guilders have been rounded to the nearest thousand.

#### **Changes in accounting policies**

##### *a) New standards, interpretations and amendments effective from January 1, 2017*

The accounting policies applied in these financial statements are consistent with those of the previous financial year.

Other standards, amendments and interpretations which are effective for the financial year beginning on January 1, 2017 are not relevant to the fund.

##### *b) New standards, interpretations and amendments not yet effective*

Several new standards and amendments to standards and interpretations are effective for annual periods beginning after January 1, 2017 and have not been applied in preparing these financial statements. Following new and/or amended IFRS standards are expected to have significant impact on the financial statement of the Fund:

IFRS 9, "Financial instruments"; effective for periods beginning on or after January 1, 2018 (endorsed November 22, 2016). The standard replaces the guidance in IAS 39 'Financial Instruments: Recognition and Measurement' and addresses the classification, measurement and recognition of financial assets and liabilities including a new expected credit loss model for calculating impairment on financial assets and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39.

The standard is effective for accounting periods beginning on or after January 1, 2018. Early adoption is permitted. The fund is yet to assess IFRS 9's full impact.

IFRS 15, "Revenue from Contracts with Customers" – is a new standard for the recognition of revenue. This will replace IAS 18 which covers contracts for goods and services.

The standard introduces a revenue model in which the core principle is that revenue must be recognized when the goods or services are transferred to the customer, at the transaction price. Any bundled goods or services that are distinct must be separately recognized, and any discounts or rebates on the contract price must generally be allocated to the separate elements. When the consideration varies for any reason, minimum amounts must be recognized if they are not at significant risk of reversal. Costs incurred to secure contracts with customers must be capitalized and amortized over the period when the benefits of the contract are consumed. The standard is effective for accounting periods beginning on or after January 1, 2018. Early adoption is permitted. The fund is yet to assess IFRS 15's full impact.

IFRS 16, "Leases", establishes principles for the recognition, measurement, presentation and disclosure of leases, with the objective of ensuring that lessees and lessors provide relevant information that faithfully represents those transactions. All leases result in the lessee obtaining the right to use an asset at the start of the lease and, if lease payments are made over time, also obtaining financing. Accordingly, IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and, instead, introduces a single lessee accounting model. Lessees will be required to recognize: (a) assets and liabilities for all lease with a term of more than 12 months, unless the underlying asset is of low value; and (b) depreciation of lease assets separately from interest on lease liabilities in the income statement. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. The standard is effective for accounting periods beginning on or after January 1, 2019, early adoption is permitted. The Fund is currently assessing the full impact of IFRS 16.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the fund.

Other changes of less significance are:

- Amendments to IAS 12: 'Recognition of Deferred Tax Assets for Unrealized Losses'; effective for periods beginning on or after January 1, 2017;
- Amendments to IAS 7: 'Disclosure Initiative'; effective for periods beginning on or after January 1, 2017;
- Clarifications to IFRS 15: 'Revenue from Contracts with Customers'; effective for periods beginning on or after January 1, 2018.

### **Capital management**

The fund's objective is to safeguard the Fund's ability to continue as a going concern to meet its obligations to its participants.

The fund has a board that is charged with managing and administering the Fund and the other pension funds that are or will be assigned to it in accordance with article 3, paragraph 2 of the Fund's Pension Ordinance. The Fund aims to achieve a funding ratio of 105%.

The capital is used to generate wealth through investment. The funding ratio is calculated by dividing the total actuarial assets to the fund's non-current liability. There were no changes in the Fund's approach to capital management during the year.

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**Property and equipment**

All property and equipment are stated at historical cost less depreciation and accumulated impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Fund and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation on property and equipment are calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives, as follows:

<i>Asset Type</i>	<i># of Years</i>	<i>Method</i>	<i>Residual Values</i>
Building	40 years	Straight line	0
Leasehold improvements	5 years	Straight line	0
Furniture & Fixtures	10 years	Straight line	0
Equipment	5 years	Straight line	0
Computer Hardware	4 years	Straight line	0

Land is carried at cost. The Buildings (including building fittings) are carried at cost less accumulated depreciation and accumulated impairment losses, if any. The buildings are depreciated using the straight-line method over the estimated useful life of 40 years.

The assets' residual values and useful lives are reviewed at the end of each reporting period and adjusted if appropriate. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount. These are included in the income statement in operating income.

**Leasehold improvements**

Leasehold improvements are investments made to customize buildings and offices occupied under operating lease contracts to make them suitable for their intended purpose. The present value of estimated reinstatement costs to bring a leased property into its original condition at the end of the lease, if required, is capitalized as part of the total leasehold improvements costs. At the same time, a corresponding liability is recognized to reflect the obligation incurred.

Reinstatement costs are recognized in net income through depreciation of the capitalized leasehold improvements over their estimated useful life.

The Fund rents two office units from the same landlord. The rental agreements are for a period of two years, with an option to renew after each period.

**Intangible assets**

*Computer software*

Costs associated with maintaining computer software programs are recognized as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable

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and unique software products controlled by the Fund are recognized as intangible assets when the following criteria are met:

- It is technically feasible to complete the software product so that it will be available for use;
- Management intends to complete the software product and use or sell it;
- There is an ability to use or sell the software product;
- It can be demonstrated how the software product will generate probable future economic benefits;
- Adequate technical, financial and other resources to complete the development and to use or sell the software product are available;
- The expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs that are capitalized as part of the software product include the software development employee costs and an appropriate portion of directly attributable overheads.

Depreciation on intangible assets is calculated using the straight-line method to allocate their cost to their residual values as follows:

<i>Asset Type</i>	<i># of Years</i>	<i>Method</i>	<i>Residual Values</i>
Computer Software	5 years	Straight line	0

#### *Impairment of intangible asset*

Impairment tests on intangible assets with indefinite useful economic lives are undertaken annually at the financial year end. Other non-financial assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount (i.e. the higher of value in use and fair value less costs to sell), the asset is written down accordingly.

Impairment charges are included in profit or loss, except to the extent they reverse gains previously recognized in other comprehensive income. An impairment loss recognized for goodwill is not reversed.

#### **Investment property**

Investment property is property (land or a building—or part of a building—or both) held by the Fund to earn rental income or for capital appreciation or both, rather than for: (a) use in the production or supply of goods or services or for administrative purposes; or (b) sale in the ordinary course of business.

Investment property is measured initially at its cost. Transaction costs are included in the initial measurement. After initial measurement the investment property is carried at cost less accumulated depreciation and accumulated impairment losses, if any. Land is carried at cost and is not depreciated. Building depreciation is calculated using the straight-line method over the estimated useful life. The estimated useful life is forty years and the residual value is zero.

The residual values and useful lives are reviewed at the end of each reporting period and adjusted if appropriate. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

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Gains and losses on disposals are determined by comparing the proceeds with the carrying amount. These are included in the income statement in operating income.

In September 2014, APS reached an agreement with the property owners of Mary's Fancy for the purchase of the Land, Plantation House and its surroundings.

In 2016 two properties were added to investment properties. The first property was transferred to the Fund as one of the payments regarding the debt payment basic agreement that was signed in February 2016. In December 2016, APS purchased the second property - Professional Office Park. A portion of this property is undeveloped. The undeveloped portion is selected for the future office of APS and is included under Property and equipment.

An investment property shall be derecognized on disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. Gains or losses arising from the retirement or disposal of investment property shall be determined as the difference between the net disposal proceeds and the carrying amount of the asset and shall be recognized in profit or loss in the period of the retirement or disposal.

#### **Financial assets**

APS classifies its financial assets into the following categories: at fair value through profit or loss, loans and receivables, held to maturity and available for sale. The classification is determined by management at initial recognition and depends on the purpose for which the investments were acquired.

##### *Financial assets at Fair value through profit or loss*

A financial asset is classified at fair value through profit or loss if it is classified as held for trading. A financial asset is classified in this category if acquired principally for selling in the short term (within one year). Derivatives are also classified as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months, otherwise they are classified as non-current assets.

##### *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Fund's loans and receivables comprise 'accounts receivable and other receivables' and 'cash and cash equivalents' in the Statement of financial position.

##### *Held-to-maturity financial assets*

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Fund's management has the positive intention and ability to hold to maturity. After initial measurement, held to maturity investment are measured at amortized cost using an effective interest method less any impairment.

Held-to-maturity investments are government bonds, corporate bonds or time deposits.

##### *Available-for-sale financial assets*

Investments are designated as available-for-sale financial assets if they do not have fixed maturities and fixed or determinable payments, and management intends to hold them for the medium to long-term (more than 12 months).

Financial assets that are not classified into any of the other categories (at FVPL, loans and receivables or held-to-maturity investments) are also included in the available-for-sale category. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

The Fund does not have any assets held for trading that classifies as available for sale financial assets.

#### *Recognition and measurement*

Regular purchases and sales of financial assets are recognized on the trade-date, the date on which the group commits to purchase or sell the asset. Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss.

Financial assets carried at fair value through profit or loss are initially recognized at fair value, and transaction costs are expensed in the income statement. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the group has transferred substantially all risks and rewards of ownership.

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value.

Loans and receivables are subsequently carried at amortized cost using the effective interest method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category is presented in the income statement within 'Net change in value -' in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognized in the income statement as part of other income when the Fund's right to receive payments is established.

Changes in the fair value of monetary and non-monetary securities classified as available for sale are recognized in other comprehensive income.

When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognized in equity are included in the income statement as 'Gains and losses from investment securities'.

Interest on available-for-sale securities calculated using the effective interest method is recognized in the income statement as part of financial income. Dividends on available-for-sale equity instruments are recognized in the income statement as part of other income when the group's right to receive payments is established.

IFRS requires certain disclosures to be presented by category of instrument based on the IAS 39 measurement categories. Certain other disclosures are required by class of financial instrument. For those disclosures an entity must group its financial instruments into classes of similar instruments as appropriate to the nature of the information presented.

The two main categories of disclosures required by IFRS 7 are:

1. Information about the significance of financial instruments.
2. Information about the nature and extent of risk arising from financial instruments.

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### **IFRS 7 fair value measurement hierarchy**

IFRS 7 requires certain disclosures which require the classification of financial assets and financial liabilities measured at fair value using a fair value hierarchy that reflects the significance of the inputs used in making the fair value measurement. The fair value hierarchy has the following levels:

- a) quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);  
The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the group is the current bid price.
- b) inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (Level 2);  
The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.
- c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

The level in the fair value hierarchy within which the financial asset or financial liability is categorized is determined based on the lowest level input that is significant to the fair value measurement. Financial assets and financial liabilities are classified in their entirety into only one of the three levels.

### **IFRS 9 Financial Instruments**

IFRS 9 Financial Instruments includes requirements for recognition and measurement, de-recognition and hedge accounting. On November 12, 2009, the IASB issued IFRS 9 Financial Instruments as the first step in its project to replace IAS 39 Financial Instruments: Recognition and Measurement.

### **Other non-current assets**

Other non-current assets are mainly held-to-maturity investments with fixed or determinable payments and fixed maturities that are part of the division of assets of the Fund's predecessor APNA. Non-current assets include the actual accrued return.

Held-to-maturity investments are government bonds, corporate bonds or time deposits.

After initial measurement, held to maturity investment are measured at amortized cost using an effective interest method less any impairment.

Upon settlement of the division of APNA assets, the non-current assets will be reclassified as current financial assets.

### *Reclassification of non-current assets*

The Fund previously recorded the total non-current assets as a netted amount. Since management considers it to be more relevant to show the amount payable as a sperate line item and reclassified an amount of ANG 1,550,000 to non-current liabilities.

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### **Inventories**

The Fund's inventories comprise investment properties that are developed with the intention to sell. Inventories are subsequently carried at the lower of cost and net realizable value.

Net realizable value is the estimated selling price in the ordinary course of business less costs to complete redevelopment and selling expenses.

### **Accounts receivable**

Accounts receivable are amounts due from pension contributions, 'VUT' / 'duurtetoeslag' payments, and the legal interest charged to the employer for untimely payments of the pension contributions and / or other outstanding and investments.

#### *Recognition and measurement*

Accounts receivable are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. A provision for impairment of accounts receivable is established when there is objective evidence that the Fund will not be able to collect all amounts due according to the original terms of receivables.

The carrying amounts of accounts receivable and other receivables are assumed to approximate their fair values.

### **Interest receivable**

Interest receivable are the amounts accrued from held-to-maturity investments such as government bonds, corporate bonds or time deposits.

Interest income is recognized as it accrues, considering the effective yield on the asset.

### **Accounts payable**

Accounts payable are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer).

#### *Recognition and measurement*

Accounts payable are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

The carrying amounts of accounts payable and other payables are assumed to approximate their fair values.

### **Cash and cash equivalents**

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts.

### **Foreign currency transactions and balances**

Transactions in currencies other than the functional currency are recognized at the rate of exchange prevailing at the date of the transaction. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates as at that date.

Exchange differences on monetary items are recognized in profit and loss in the period in which they occur, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

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## Revenues

Provided the amount of revenue can be measured reliably and it is probable that the Fund will receive any consideration, revenue is recognized in the period in which they are due or accrued.

Revenues within the Fund comprise:

- Pension premium income - employers, employees and other contributions to the Fund
- Loan income - interest revenue from corporate, private or government loans
- Debt securities income - revenues from corporate and government bonds
- Time deposit income - interest revenues from time deposits
- Income investment held at fair value - realized and unrealized revenues from securities, dividends received and interest revenues from fixed income
- Other investment income - investment revenues that cannot be categorized as one of the above
- Other income - revenues that cannot be categorized as investments nor premium income for example the penalty for untimely payment of premiums by the employers.

## Pension benefits obligations

The Fund computes this liability in respect of eligible participants at the end of each year based on the two previous years' salary of those participants. Excess or shortfalls to the provision is adjusted in the comprehensive income statement.

Any difference between the expected return on assets and that achieved, and any changes in the liabilities over the year due to changes in assumptions or experience within the scheme, are recognized in other comprehensive income in the period in which they arise.

## Employee benefits

### a) Pension benefits obligations

The employees that are in service of the Fund are also participant in the pension scheme that is being executed by the Fund. The pension scheme is a defined benefit plan. The pension scheme will be however processed as a defined contribution<sup>6</sup> plan since this pension scheme is a multi-employer scheme and the actuarial results cannot be allocated to each individual affiliated employer.

The Fund computes this obligation at the end of each year based on the two previous years' salary of the employees that are in service of the Fund. Excess or shortfalls to the provision are adjusted in the comprehensive income statement.

### b) Other post-employment obligations

The Fund does not have any employees that are entitled to other post-employment benefits such as 'duurtetoelag' or 'VUT-uitkeringen'.

## Pension benefits payments

The pension benefits payments are payments to the beneficiaries of the Fund who have attained the age of retirement as well as the derived beneficiaries of orphan and widow(er) pension.

These payments are calculated based on the beneficiaries' average salary (two years prior to retirement) corrected for the AOV-franchise and the amount of years of service.

<sup>6</sup> A defined contribution plan is a pension plan under which the Fund pays fixed contributions into the pension fund. The Fund has no legal or constructive obligations to pay further contributions if the pension fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

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**Tax**

The Fund is exempted from profit tax in accordance with article 1 section 2 under c of the Profit Tax Ordinance.

**Provisions**

The Fund has recognized provisions for liabilities of uncertain timing or amount including those for pension claims and legal disputes. The provision is measured at the best estimate of the expenditure required to settle the obligation at the reporting date.

**Leases**

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Lease payments under an operating lease shall be recognized as an expense on a straight-line basis over the lease term unless another systematic basis is more representative of the time pattern of the user's benefit.

**Critical accounting estimates and judgments**

The Fund makes certain estimates and assumptions concerning the future. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

*a) Beginning balance of the fund per October 10, 2010*

A committee was charged with the division of the assets of the Fund's predecessor APNA, in which Sint Maarten is represented by Mr. R. Daryanani (since 2013) and Mr. E. Felisie (since late 2011). The committee submitted its report with the agreed upon value of the assets and the liabilities of APNA as at October 9, 2010 and the way the assets will be divided over the successors to APNA.

The assets were initially divided based on the pension benefits obligations that have been allocated to each country. The pension benefits obligations allocation for the active participants of APNA based is determined by the Island territory that they were working on October 9, 2010. For the pensioners and the participants with deferred rights it was the Island territory that they were established on the moment of resignation from their last employer that determines the allocation.

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The beginning balance is based on the final report on the division of APNA assets dated September 2014:

All amounts are in thousand Netherlands Antillean guilders

	<b>Curacao</b>	<b>Sint Maarten</b>	<b>The Netherlands</b>	<b>Concept Balance Division of Assets</b>
% Allocation per October 10,2010	85.55%	<b>8.44%</b>	6.00%	<b>100.00%</b>
Pension benefits obligations	3,715,900	<b>366,706</b>	260,822	<b>4,343,429</b>
Assets	3,749,670	<b>370,039</b>	263,193	<b>4,382,902</b>
Transfer of Bonds and Loans	802,609	<b>79,206</b>	42,591	<b>924,406</b>
Advance		<b>291,594</b>		
<i>Received accounts receivable</i>		<b>74,427</b>		
<i>Received cash</i>		<b>217,167</b>		
To be received		<b>(761)</b>		

*b) Division of asset revenues*

As it was mentioned earlier the division of assets committee had agreed since December 2011 to divide the assets. In 2015 the Fund received the allocated annuity loans and bonds of the former Netherlands Antilles and Island territory Curacao.

*c) Measurement of defined pension benefits obligations*

The calculation of the pension benefits obligations is sensitive to 'Mortality rate' and 'Actuarial assumptions'. As a change in the actuarial assumptions and mortality statistics used in note 3.21 could have a significant impact on the pension benefits obligations.

### 3.7 Financial Risk Management

All investments of the Fund are associated with risk. The most significant risks can be divided into three groups – market risks, credit risks and liquidity risks. Market risks can be further divided into price risk, interest rate risk, and foreign exchange risk. The Fund is exposed to these other financial risks:

- Leverage Risk;
- Counterparty Risk.

The overall objective of the Fund is to set policies that seek to reduce risk as far as possible without unduly affecting the Fund's ability to reach its financial goals. This note describes the Fund's objectives, policies and processes for managing these risks and the methods used to measure them. Further details regarding these policies are set out below.

#### Market risk

Market risk is the risk that changes in market prices, such as interest rates, equity prices, and foreign exchange rates will affect the Fund income or value of its holding of financial instruments.

#### Categories of financial instruments

All amounts are in thousand Netherlands Antillean guilders

	2017	2016
<b>Financial assets</b>		
Cash and cash equivalents	184,683	57,607
Fair value through profit or loss (FVTPL)		
Held for trading	-	-
Designated as at FVTPL	223,133	195,697
Held to maturity investments	165,252	168,232
Loans	10,935	8,079
Receivables (including trade receivables)	67,921	171,164
<b>Financial liabilities</b>		
Fair value through profit or loss (FVTPL)		
Held for trading	-	-
Designated as at FVTPL	-	-
Amortised cost (including trade payables)	5,572	5,673

The Fund intends to manage and control its market risk exposures within acceptable parameters, while optimizing the return on risk.

#### a) Price risk

The Fund is only exposed to price risk on its international investments, because they are measured at fair value through profit or loss.

The principal tool used to manage and control price risk exposure within the Fund's international portfolio are statistical measures such as Standard Deviation, Alpha, Beta, Market Up cap ratio, Market Down cap ratio, Sharp ratio and Tracking error.

The other ways in which the Fund manages this risk are through:

- Diversification - the assets are held in a wide range of different investments, thus limiting the probability of all assets falling in value simultaneously. The diversification takes place in the capitalization size, investment style, industry sector and geographical area.
- Liquidity - great care is taken to ensure that the Fund should not need to realize potentially volatile assets when their values are depressed.

*b) Interest rate risk*

The interest rate risk, otherwise known as yield curve risk, for the international investments is managed by investing in short duration (average of 3.9 years). All durations are subject to constant change with active management of the fixed income portfolios.

The Fund's local investments are marginally exposed to interest price risk because of this, these investments are classified on the statement of financial position as financial assets held to maturity. The local market is characterized by little fluctuation in the interest rates. These investments are valued at amortized cost.

If interest rates had been 100 basis points higher/lower and all other variables were held constant, the Fund's profit (loss) for the year ended 31 December 2017 would decrease/increase by ANG 550,000.

*c) Foreign exchange risk*

The Fund's indirect currency exposure (risk) at 31 December 2017 was 3.84 percent of the total external portfolios (2016: 5.58). All the equity investments are denominated in USD, through investments made in either domestic U.S. markets, or, international stocks through American Depositary Receipt (ADR) and Global Depositary Receipt (GDR). The USD and Netherlands Antillean guilders have a fixed exchange rate and therefore no exposure.

The market risk effect of a 10% increase in the value of the international investments held at the reporting date would, all other variables held constant, have resulted in an increase in the net assets of ANG 22 million. A 10% decrease in their value would, on the same basis, have decreased the net assets by the same amount.

**Credit risk**

Credit risk is associated with investments in loans and debt securities and the risk that an issuer will be unable to meet its obligations or, in the worst case, will cancel payments. Credit risk for the international investments is estimated by a credit rating agency. To limit this risk, the Fund invests a large percentage in bonds with a rating of at least 'investment grade', with some exceptions. These non-investment grade investments are mainly collateralized loans.

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Credit risk for the local investments is managed through an established internal creditworthiness rating system. Each entity that applies for a loan or a bond is analyzed individually for creditworthiness before granting a loan. The risk is afterwards managed by analyzing mainly the financial statements of the entities in which the Fund had invested in. The Fund will also try to get first collateral for these loans and preferably tangible immovable assets.

	Neither past due nor impaired	Past due but not impaired	Past due impaired	Total
2017				
Cash and cash equivalents	184,683	-	-	184,683
Short term portion of financial assets	12,500	-	-	12,500
Accounts receivable	4,854	48,013	-	52,867
Accrued Interest Receivable	3,477	-	-	3,477
Other receivable	158	-	-	158
Other current assets	161	-	-	161
Other non-current assets	-	12,809	-	12,809
<b>Total</b>	<b>205,832</b>	<b>60,822</b>	<b>-</b>	<b>266,654</b>

	Neither past due nor impaired	Past due but not impaired	Past due impaired	Total
2016				
Cash and cash equivalents	57,607	-	-	57,607
Short term portion of financial assets	12,500	-	-	12,500
Accounts receivable	30,372	78,655	-	109,028
Interest Receivable	1,344	-	-	1,344
Other receivable	158	-	-	158
Other current assets	263	-	-	263
Other non-current assets	-	61,922	-	61,922
<b>Total</b>	<b>102,244</b>	<b>140,577</b>	<b>-</b>	<b>242,821</b>

### Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations associated with its financial liabilities that are settled by delivering cash or other financial assets.

The Fund's approach to managing liquidity is to ensure, in as much as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking the Fund's reputation. The policy is to ensure that it will always have sufficient cash and cash equivalents to allow it to meet its liabilities when they become due. To achieve this aim, it seeks to maintain cash and cash equivalent balances (or agreed facilities) to equal the amount of at least 3 months of operational expenses.

The Fund also seeks to reduce liquidity risk by investing in listed securities for its international investments. In this regard the Fund is liquid, especially because it does not invest in hedge funds or private equity.

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At the other hand the local investments are not liquid. The Fund seeks to mitigate the illiquidity of the local investment by investing more in annuity loan and bond investments and by spreading the maturity date of the local investment.

The following table sets out the contractual maturities of local investments:

All amounts are in thousand Netherlands Antillean guilders

	Less than 1 year	Between 1 and 5 year	Over 5 years	Total
At December 31, 2017				
Time deposits	12,500	42,500	-	55,000
Debt securities government	5,182	16,203	26,569	47,953
Debt securities corporate	1,003	4,011	57,285	62,299
Division of assets APNA	12,809	-	-	12,809
Loans	-	-	10,935	10,935
<b>Total</b>	<b>31,494</b>	<b>62,714</b>	<b>94,789</b>	<b>188,996</b>

	Less than 1 year	Between 1 and 5 year	Over 5 years	Total
At December 31, 2016				
Time deposits	12,500	42,500	-	55,000
Debt securities government	4,399	5,182	42,757	52,338
Debt securities corporate	1,715	1,631	56,718	60,064
Division of assets APNA	60,372	-	-	60,372
Loans	-	-	8,079	8,079
<b>Total</b>	<b>78,986</b>	<b>49,313</b>	<b>107,554</b>	<b>235,853</b>

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The table below summarizes the contractual maturities of the Fund's financial liabilities based on contractual repayment arrangements.

All amounts are in thousand Netherlands Antillean guilders

	Less than 1 year	Between 1 and 5 years	Over 5 years	Total
2017				
Accounts payable	238			238
Other payable	574			574
Accrued liabilities	4,760			4,760
Pension benefits obligations	20,552	93,368	539,658	653,579
Other non-current liabilities	1,550			1,550
<b>Total</b>	<b>27,675</b>	<b>93,368</b>	<b>539,658</b>	<b>662,252</b>

	Less than 1 year	Between 1 and 5 year	Over 5 years	Total
2016				
Accounts payable	589			589
Other payable	707			707
Accrued liabilities	4,377			4,377
Pension benefits obligations	19,616	89,115	515,074	623,805
Other non-current liabilities		1,550		1,550
<b>Total</b>	<b>25,289</b>	<b>90,665</b>	<b>515,074</b>	<b>632,579</b>

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**Other risks**

*a) Leverage risk*

The use of leverage introduces multiple risks to the investor. First, it increases the market risk and portfolio volatility, because the impact of price changes on a levered portfolio's market value (numerator) is translated to the actual, smaller net worth (assets – liabilities, the denominator). Second, the use of leverage introduces the interest cost of borrowing the funds which may reduce the net returns. Third, the use of leverage often introduces counterparty risk, when securities are held as collateral, and may be transferred to other institutions not under contract with the Fund, whom may not have as strong a financial position or the Fund's best interests as a priority. And, fourth, accounts that utilize leverage must be "margin" accounts, and margin accounts may permit securities lending, when an investor's assets may be "lent" by the custodian to other entities for its own business/operational purposes.



One of the separately managed accounts currently employed by the Fund utilizes low levels of leverage, and the same strategy employs margin debt. The Fund rates the leverage risk as low.

*b) Counterparty risk*

Counterparty risk is the risk that an external fund manager or the institution responsible for holding and safeguarding securities defaults on their contractual obligations. Counterparty risk is an important and evolving risk. Counterparty risk is higher when hedge funds and private equity are utilized or when an investment strategy employs margin debt/leverage (none of the Fund's international investment strategies utilize leverage) or when securities lending is utilized (the Fund does not engage in securities lending for its international investments).

On December 31, 2017 the Fund had minimal counterparty risk. Only four strategies had a known counterparty risk: the SG Capital Teton Equity Long/Short, the iShares Top 200 Growth ETF, the SPDR Intermediate Corp Bond ETF, and the Vanguard MBS ETF. The counterparty risk in the three ETFs derive from the ETFs being co-mingled investment vehicles, this is where the Fund owns shares in the ETF but not the individual securities. This is 29.5 percent of the equity portfolio (ANG 47 million of investments held at fair value through P&L) and 42 percent of the fixed income portfolio (ANG 27 million of investments held at fair value through P&L). The counterparty risk in the SG Capital Teton Long/Short is due to the use of multiple trading desks away from the Custodian which may result in delayed delivery of securities and are due to "short" positions, where the "short" security is held by a third-party and lent to APS. However, counterparty risks from "short" positions are not generally considered major because there is already cash from the sale in the account.

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## Financial instruments measured at fair value

All amounts are in thousand Netherlands Antillean guilders

	Fair value measurements at December 31, 2017					
	Level 1		Level 2		Level 3	
	2017	2016	2017	2016	2017	2016
<b>Financial assets</b>						
Fixed Income	57,817	52,008	6,707	6,429	-	-
Equity	158,608	130,896	-	6,364	-	-
<b>Total</b>	<b>216,425</b>	<b>182,904</b>	<b>6,707</b>	<b>12,793</b>	<b>-</b>	<b>-</b>

### Financial instruments in level 1

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the group is the current bid price. These instruments are included in Level 1.

### Financial instruments in level 2

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

### c) Actuarial risk (Insurance risk)

The provision for Pension Benefits Obligations represents the value of the pension benefits obligations of the Fund at a given date by estimating future pension payments. This value represents an obligation risk (liability) for the Fund. To manage this risk, the Fund will conduct an ALM-study or continuity analysis every five years. The ALM-study or continuity analysis will focus mainly on the sensitivity of the cover ratio to actuarial and economic changes. These changes can have a significant impact on the assumptions used to determine the provision for Pension Benefits Obligations. In the case of a significant change in the fund, the fund will conduct an ALM-study.

In this context, the most significant risks come from the rate of long life, mortality and potential disability of the participant.

Actuarial risk is most sensitive to the risk of longevity of a participant. Longevity risk is the probability that participants will live longer than was initially accounted for in the determination of the provision for Pension Benefits Obligations. As a result, the Fund will not be able to meet its obligations to the pensioners.

The risk of mortality means that in case of death of a participant, the Fund may have to grant a survivor's pension for which the Fund did not provide for.

The disability risk covers the risk that the Fund may have to provide for the possibility that premiums will be waived and that the Fund will grant a disability pension. As stated in article 68 of the PLvO,

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there are instances where the Board can recover the expenses related to the disability pension from the employer.

*d) Inflation risk*

The Fund is susceptible to inflation as well as deflation. The rising inflation increases the pension obligation and reduces the returns on equities and fixed income securities. The inflation risk is included in the ALM study or the continuity analysis.

*e) Integrity risk*

Integrity risk is the risk that the integrity of the institution or the financial system is affected by dishonest, unethical conduct of the organization, employees or of the leadership within the framework of laws and regulations and social standards set by the institution.

The policy of the Fund is:

- The employees, board members and members of the investment committee are to sign a "code of conduct".
- The board members and the directorate must undergo screening.
- The board members are to meet certain criteria and be appointed based on these criteria according to the law.

*f) Outsourcing risk*

Outsourcing risk is the risk that continuity, integrity and/or quality of the work contracted out to a third party is damaged or made unusable using their equipment or by their staff. The risk for the Fund is that the third party does not comply with the instructions that were provided. To manage this risk, that is associated with operational activities, conditions have been detailed in the SLA with Actuera.

The Fund has outsourced the following to third parties:

- The management of the international investments to external asset managers. The risks associated with the outsourcing is controlled preventively by means of an intensive selection procedure. The fiduciary consultant verifies whether the external asset managers comply with the requirements set by the Fund with regards to quality, expertise and service levels.
- The management of the network, servers, and all other IT related matters. The risk associated with outsourcing is controlled by the use of firewalls, antivirus and cyber security protection software. Firewalls prevent unauthorized access to the network. The antivirus and cyber security prevent viruses and malware from entering the computer system and infecting files. Additionally, the network is backed up daily, this ensures that data is protected, securely stored and retrievable in the event of network failure.

*g) Third party / Vendor risk*

Third party risk is the risk that products and services provided by third parties is of low quality, unusable or unavailable.

The Fund makes use of the following types of services/products provided by third parties:

- Third party software is used for the financial and payroll administrations. The risk associated with this is that the Fund is fully dependent on the provider for the maintenance of the software. The software provider provides full technical support and the Fund has no resources in house to develop/adjust or fix any technical issues that may arise. The risk associated with the use of third-party software is controlled with requirements set by the Fund with regards to data protection, data ownership, data availability and the daily backup of the network.
- Consultants provide advice and support in various areas such as investments, legal, and projects. The risk associated with consultancy is controlled by the requirements set by the Fund with

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regards to quality, expertise and service levels, including the Fund's code of conduct clauses in the SLAs and periodic reassessment of the performance.

*h) Financing risk*

Financing risk is the risk that the employer (principally the government of Sint Maarten) is not able to pay / pay off the premiums / debt to the Fund. The risk also includes timely payments of the premiums / debt to the Fund. The Fund has implemented accounts receivable collection procedures and escalation measures for overdue receivables as mitigating measures for this risk.

An important outcome of the ALM study is to provide long-term insight of the costs related to the pension scheme. The aim of the Fund is for the total accounts receivable not to exceed 10% of the total assets. Currently the accounts receivable comprises 7.8% of the total assets.

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### 3.8 Property and equipment

All amounts are in thousand Netherlands Antillean guilders

	Land	Leasehold improvements	Furnitures and fixtures	Computer hardware	Equipment	Total
<b>COST AND VALUATIONS</b>						
At January 1, 2016						
Cost or fair value	-	111	193	198	42	544
Accumulated depreciation	-	(71)	(66)	(103)	(19)	(260)
<b>Net book amount</b>	<b>-</b>	<b>39</b>	<b>127</b>	<b>95</b>	<b>23</b>	<b>284</b>
<b>Year ended December 31, 2016</b>						
Opening net book amount	-	39	127	95	23	284
Additions	5,040	35		14	-	5,089
Depreciation charge		(19)	(19)	(30)	(8)	(76)
<b>Closing net book amount</b>	<b>5,040</b>	<b>56</b>	<b>108</b>	<b>79</b>	<b>14</b>	<b>5,297</b>
<b>At December 31, 2016</b>						
Cost or fair value	5,040	146	194	211	42	5,633
Accumulated depreciation		(90)	(85)	(133)	(27)	(336)
<b>Net book amount</b>	<b>5,040</b>	<b>56</b>	<b>108</b>	<b>79</b>	<b>14</b>	<b>5,297</b>
<b>Year ended December 31, 2017</b>						
Opening net book amount	5,040	56	108	79	14	5,297
Additions	-	56	23	20		99
Depreciation charge		(15)	(20)	(32)	(6)	(74)
<b>Closing net book amount</b>	<b>5,040</b>	<b>96</b>	<b>111</b>	<b>67</b>	<b>8</b>	<b>5,322</b>
<b>At December 31, 2017</b>						
Cost or fair value	5,040	202	217	231	42	5,732
Accumulated depreciation	-	(106)	(105)	(165)	(34)	(410)
<b>Net book amount</b>	<b>5,040</b>	<b>96</b>	<b>111</b>	<b>67</b>	<b>8</b>	<b>5,322</b>

In December 2016, APS purchased the Professional Office Park, a portion of this property is undeveloped. The undeveloped portion is selected for the future office of APS. The developed portion is classified as Investment properties, note 3.6.

For the estimates of useful economic life and the residual values of property and equipment see note 3.6.

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### 3.9 Intangible assets

Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Fund are classified as intangible assets.

All amounts are in thousand Netherlands Antillean guilders

	Computer software	Total
<b>COST AND VALUATIONS</b>		
At January 1, 2016		
Cost or fair value	918	918
Accumulated depreciation	(587)	(587)
<b>Net book amount</b>	<b>331</b>	<b>331</b>
<b>Year ended December 31, 2016</b>		
Opening net book amount	331	331
Additions	7	7
Depreciation charge	(182)	(182)
<b>Closing net book amount</b>	<b>156</b>	<b>156</b>
<b>At December 31, 2016</b>		
Cost or fair value	926	926
Accumulated depreciation	(769)	(769)
<b>Net book amount</b>	<b>156</b>	<b>156</b>
<b>Year ended December 31, 2017</b>		
Opening net book amount	156	156
Additions	8	8
Depreciation charge	(110)	(110)
<b>Closing net book amount</b>	<b>54</b>	<b>54</b>
<b>At December 31, 2017</b>		
Cost or fair value	933	933
Accumulated depreciation	(879)	(879)
<b>Net book amount</b>	<b>54</b>	<b>54</b>

For the estimates of useful economic life and the residual values of intangible assets see note 3.6.

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### 3.10 Investment properties

All amounts are in thousand Netherlands Antillean guilders

	Land	Buildings	Investment property under construction	Total
<b>COST AND VALUATIONS</b>				
At January 1, 2016				
Cost or fair value	3,160	1,269	-	4,429
Accumulated depreciation		(320)	-	(320)
Net book amount	<b>3,160</b>	<b>950</b>		<b>4,110</b>
<b>Year ended December 31, 2016</b>				
Opening net book amount	3,160	950	-	4,110
Additions	8,047	5,768	2,310	13,815
Depreciation charge		(39)	-	(39)
Closing net book amount	<b>11,207</b>	<b>6,679</b>	<b>2,310</b>	<b>17,886</b>
<b>At December 31, 2016</b>				
Cost or fair value	11,207	7,037	2,310	18,244
Accumulated depreciation		(358)	-	(358)
Net book amount	<b>11,207</b>	<b>6,679</b>	<b>2,310</b>	<b>17,886</b>
<b>Year ended December 31, 2017</b>				
Opening net book amount	11,207	6,679	2,310	17,886
Additions	-	-	541	541
Depreciation charge		(174)	-	(174)
Closing net book amount	<b>11,207</b>	<b>6,506</b>	<b>2,851</b>	<b>20,563</b>
<b>At December 31, 2017</b>				
Cost or fair value	11,207	7,037	2,851	21,095
Accumulated depreciation		(532)	-	(532)
Net book amount	<b>11,207</b>	<b>6,506</b>	<b>2,851</b>	<b>20,563</b>

In September 2014, APS reached an agreement with the property owners of Mary's Fancy for the sale of the Plantation House and its surroundings. The property was purchased for ANG 4 million. In 2016 two properties were added to investment properties. The first property was transferred to the Fund as part of the payment that relates to the debt payment basic agreement that was signed in February 2016. In December 2016, APS purchased the Professional Office Park, a portion of this property is undeveloped. The undeveloped portion is selected for the future office of APS and is included under note 3.8 Property and equipment.

The fair value of the investment property is assumed to approximate the carrying value given the recent acquisition date. For the estimates of useful economic life and the residual values of investment assets see notes 3.6.

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### 3.11 Investments held to maturity

#### Investments held to maturity

All amounts are in thousand Netherlands Antillean guilders

	2017	2016
Debt securities corporate	110,252	113,232
Time deposits	55,000	55,000
Less: current portion investments	(12,500)	(12,500)
<b>Total</b>	<b>152,752</b>	<b>155,732</b>

The investments are split between current and non-current depending on the remaining maturity of the investments and its contractual cash flows.

The fair value for the debt securities is ANG 126 million (2016 ANG 130 million) and for the Time deposits ANG 55 million (2016 ANG 54 million). The fair value has been calculated using a discount rate of 3.75%.

### 3.12 Investments held at fair value through profit or loss

#### Investments held at fair value through profit & loss

All amounts are in thousand Netherlands Antillean guilders

	2017	2016
Fixed Income	64,524	58,437
Equity	158,608	137,260
<b>Total</b>	<b>223,133</b>	<b>195,697</b>

The fair value of the investments held at fair value through profit & loss is based on the statements of the custodian banks, except for one of the twenty-six investment strategies in which the Fund uses the report of the investment manager (see 'Financial instruments measured at fair value' equity level 2 in note 3.7 for the amount).

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### 3.13 Loans

#### Loans

All amounts are in thousand Netherlands Antillean guilders

	2017	2016
RF Adventure St. Maarten N.V. Finance	10,935	8,079
<b>Total</b>	<b>10,935</b>	<b>8,079</b>

Loans are carried at amortized cost using the effective interest method. The Fund's participation in the financing of the RF Adventure St. Maarten is 41%. The interest rate is the then prevailing rate for one-year USD LIBOR plus a margin of 5.25%, if this rate is lower than 6.00% then the interest rate of 6.00% will be used. The financing was structured as a fourteen-year Senior Secured Term Loan Facility, the total term has been extended with 8 months due to the added time needed for construction due to the passing of hurricane Irma in September 2017. The first payment is expected in Q4 of 2018.

### 3.14 Other non-current assets

#### Other non-current assets

All amounts are in thousand Netherlands Antillean guilders

	2017	2016
APNA division of assets	-	(761)
Accrued return APNA division of assets	-	35,328
Current account reallocation of participants	12,703	27,355
Advance employees	106	-
<b>Total</b>	<b>12,809</b>	<b>61,922</b>

#### The APNA division of assets

In October 2017, an amount of ANG 49 million was paid to the Fund. This amount comprises the excess cash for the APNA division of assets (ANG 761,000), the accrued return APNA division of assets (ANG 35.3 million) and part of the receivable current account reallocation of participants (ANG 14 million).

#### Accrued return APNA division of assets

This amount was the net cash receivable from APNA for the assets (securities) payments that were paid to APNA after October 10, 2010 to April 30, 2015. This amount consists of interest and principal payments. The total payment of ANG 49 million in October 2017 settled the outstanding on "Accrued return APNA division of assets".

#### Current account reallocation of participants

This is the amount receivable from APNA for the participants who were not correctly allocated in the division of APNA assets. Since inception, many participants of the former APNA have been reallocated to one of the successor pension funds. The reallocation stems forth from execution of the Onderlinge Regeling Boedelscheiding APNA in which guidelines for the allocation of participants to the various pension funds are given. Based on these guidelines persons that were incorrectly allocated to a fund, were reallocated to the correct one. Following the Onderlinge

Regeling, a transfer of an amount equal to the pension obligation to the recipient fund is owed to the Fund. As part of this financial transaction has not yet been executed, the net amount remains as a receivable from the former APNA to the Fund. The total payment of ANG 49 million in October 2017 settled part of the "Current account reallocation of participants". The balance of ANG 12 million is pending further supporting analyses and details of the reallocation of participants. It is expected that this process will be finalized by the end of 2018.

### Advance employees

The advance for employees comprises salary advances without interest. After the passing of hurricane Irma the staff had the option to make use of a salary advance of up to two times the amount of their monthly gross salary. This advance had a maximum repayment period of 24 months (if the employee was not permanently employed the end date of the contract would determine the term).

## 3.15 Inventories

The book value of the inventories are as follows:

### Inventories

All amounts are in thousand Netherlands Antillean guilders

	2017	2016
Welgelegen Development	1,310	537
<b>Total</b>	<b>1,310</b>	<b>537</b>

Inventories relate to the cost of investment properties under development. When development is completed, the inventories are reclassified as investment properties and carried at cost.

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### 3.16 Accounts receivable

The book value of the accounts receivable are as follows:

#### Accounts receivable

All amounts are in thousand Netherlands Antillean guilders

	2017	2016
Pension contribution/DT/VUT receivables	52,867	109,028
<b>Total</b>	<b>52,867</b>	<b>109,028</b>

The accounts receivable includes:

- Duurtetoeslag (DT) and Vervroegde UitTreding (VUT), these amounts are paid monthly in advance, along with the pension benefits payments to the beneficiaries of the Fund. The advanced amounts are subsequently invoiced to the affiliated employers of the Fund.
- Pension contribution,
- Penalties on the outstanding. The Fund charges the official legal interest of 3.5<sup>7</sup>% on the outstanding amounts that are overdue.

The Government of Sint Maarten owes the major portion of the accounts receivable outstanding amount. As per 5 February 2016 a Debt Payment Basic Agreement (DPBA) was signed between the Government of Sint Maarten and the Fund to cover part of the outstanding debt to APS.

The agreement consists of three (3) payment tranches:

1. An amount of ANG 19 million as a first payment, this will be paid upon signing of the deed for the sale and purchase by SZV of the New Government Building.
2. An amount of ANG 4.5 million. The Government of Sint Maarten has sold two (2) parcels of land adjacent to the New Government Building to the Fund. The sale was finalized at the end of September 2016.
3. The Government of Sint Maarten received a payment from the Division of Assets of the Netherlands Antilles. The balance of ANG 59.5 million is dedicated to the Fund as part of the Debt Payment Basic Agreement.

The Funds received the first two payment tranches in full and part of the third tranche. The third tranche was split into two. The first amount of ANG 40 million was paid to the Fund in July 2017. The balance of ANG 20 million is still due as per the date of this report.

#### Other receivables

All amounts are in thousand Netherlands Antillean guilders

	2017	2016
Other receivables	158	158
<b>Total</b>	<b>158</b>	<b>158</b>

Other receivables are pension payments to former political authorities by APC on behalf of the Government of Sint Maarten. This was executed based on the convention dated January 28, 2009 between APNA and the Government of Sint Maarten. APC has included this amount in the

<sup>7</sup> This rate is published by the Central Bank of Curaçao and Sint Maarten for 2016 the rate was 3%.

settlement of the division of assets with APS. APS has therefore added the amount as a part of the receivable from the Government of Sint Maarten.

#### Accrued Interest receivables

All amounts are in thousand Netherlands Antillean guilders

	2017	2016
Accrued Interest receivables	3,477	1,344
<b>Total</b>	<b>3,477</b>	<b>1,344</b>

Accrued interest receivables comprise the amounts receivable for the held to maturity, loans and fixed income investments. The increase of the accrued interest receivable in 2017 is primarily due to the deferral of interest payments that was granted to both the Harbor Bond and the RF Adventure St. Maarten Financing. The interest and principal payments have been deferred and will (re)commence in 2018. The liquidity is being redirected for the repairs or rebuilding as a result of the passing of hurricane Irma.

### 3.17 Short term portion of financial assets

#### Short term portion of financial assets

All amounts are in thousand Netherlands Antillean guilders

	2017	2016
Time deposits	12,500	12,500
<b>Total</b>	<b>12,500</b>	<b>12,500</b>

These are financial assets that will mature within one (1) year.

### 3.18 Other current assets

The book value of other current assets is as follows:

#### Other current assets

All amounts are in thousand Netherlands Antillean guilders

	2017	2016
Deposits	33	24
Other receivables	128	238
<b>Total</b>	<b>161</b>	<b>263</b>

Other receivables relate to invoices for services paid in advance for the upcoming financial period such as medical insurance for 2018 is paid upfront in December 2017.

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### 3.19 Cash and cash equivalents

The book value of cash and cash equivalents is as follows:

#### Cash and cash equivalents

All amounts are in thousand Netherlands Antillean guilders

	2017	2016
Local banks	159,204	31,320
International banks	25,479	26,287
<b>Total</b>	<b>184,683</b>	<b>57,607</b>

### 3.20 Equity

All amounts are in thousand Netherlands Antillean guilders

	Retained Earnings	Total
<b>Year ended December 31, 2016</b>	<b>(2,513)</b>	<b>(2,513)</b>
<i>Profit &amp; losses</i>		
(Losses)/gains result current year	22,535	<b>22,535</b>
<b>Year ended December 31, 2017</b>	<b>20,022</b>	<b>20,022</b>

### 3.21 Pension benefits obligation

The pension benefit obligations are based on an actuarial calculation taking into account the present value of the pension benefits and entitlements accumulated as per year end.

#### Pension benefits obligation

All amounts are in thousand Netherlands Antillean guilders

	2017	2016
Pension obligation beginning of the year	623,805	602,209
Net increase in pension obligation	29,774	21,596
<b>Pension obligation end of the year</b>	<b>653,579</b>	<b>623,805</b>

The calculation of the pension provisions is based on the following premises:

- The participant's average salary in the years 2015 and 2016 (corrected for the AOV-franchise) is being used for the calculation of the present value of the pension obligations.
- Actuarial return of 3.75%. If the actuarial return is decreased with 0.25% to 3.50% the effect will be an increase in the pension benefits obligation with 3.8%;

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- Mortality tables: for men the table 'GBM 2000-2005' and for women the table 'GBV 2000-2005' are being used with a one-year age reduction for men and two-year age reduction for women. An additional 3% of the pension benefits obligation has been added for the increased risk of long life of the participants;
- Orphan mortality is not taken into account;
- The age difference between men and women is set at three years;

Marriage frequencies:

- The assumption is made that all active participants are married before their pensionable age date and will stay married until this date.
- The actual marital status is used for participants with deferred rights and pensioners.

Costs:

The net pension benefits obligation has been increased with 3% to cover the pension payment administrative costs.

Ages and period:

For the calculation it is assumed that all participants are born on the 1<sup>st</sup> of the following month or the 1<sup>st</sup> of the corresponding month of the actual date of birth.

Burial assistance ('smartengeld'):

The pension benefits obligation for active participants and participants with deferred rights, has been increased by discounting the actuarial factors used in calculating the pension benefits obligation. This is done to cover the so-called 'smartengeld', which is the equivalent of three months of senior's pension benefit and is paid to surviving family members upon the demise of the pensioner.

The 'smartengeld' has been taken into account in the calculation of the pension benefits obligation for the pensioners.

The pension benefits obligation is calculated only for the registered employees from employers associated with the Fund.

### 3.22 Other non-current liabilities

#### Other non-current liabilities

All amounts are in thousand Netherlands Antillean guilders

	2017	2016
Current account reallocation of participants	1,550	1,550
<b>Total</b>	<b>1,550</b>	<b>1,550</b>

#### Current account reallocation of participants

This is the amount payable to Pensioenfonds Caribisch Nederland (PCN) for the participants who were not correctly allocated in the division of APNA assets. Since inception, many participants of the former APNA have been reallocated to one of the successor pension funds. The reallocation stems forth from execution of the Onderlinge Regeling Boedelscheiding APNA in which guidelines for the

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allocation of participants to the various pension funds are given. Based on these guidelines persons that were incorrectly allocated to a fund, were reallocated to the correct one. Following the Onderlinge Regeling, a transfer of an amount equal to the pension obligation to the recipient fund is owed to the Fund. As this financial transaction has not yet been executed, the net amount remains as a payable to Pensioenfonds Caribisch Nederland. Once the financial transaction is effectuated, the payable will no longer be carried on the APS books. It is not expected that the reallocation of participants will be finalized by the end of 2018.

### 3.23 Accounts payable

#### Accounts payable

All amounts are in thousand Netherlands Antillean guilders

	2017	2016
Accounts payable	238	589
<b>Total</b>	<b>238</b>	<b>589</b>

### 3.24 Other payables

#### Other payables

All amounts are in thousand Netherlands Antillean guilders

	2017	2016
Wage tax payable	277	397
Vacation allowance payable	-	39
AOV/AWW payable	18	24
AVBZ payable	61	50
ZV / OV payable	3	7
Premium SZV payable	147	146
Pension payable	-	-
Withholdings	68	44
<b>Total</b>	<b>574</b>	<b>707</b>

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### 3.25 Accrued liabilities

#### Accrued liabilities

All amounts are in thousand Netherlands Antillean guilders

	2017	2016
Deposit	75	100
Accrual Audit Fee	75	75
Accrual Vacation Days	66	53
Accrual consulting expenses	-	86
Premiums Received in Advance	3,288	3,382
Premiums Received in Error	1,256	681
<b>Accrued Liabilities</b>	<b>4,760</b>	<b>4,377</b>

Accruals are done to ensure that revenues and expenses are recognized within the correct reporting period, irrespective of the timing of the related cash flow.

As in the 2016, the 2017 premium analysis shows that the Fund had received an excess of premiums as at 31 December 2017. This excess has been classified into two groups:

- Premiums Received in Advance; these are premiums received for participants who were not yet registered with the Fund; various employers are late in providing the necessary documents to register the participants in the Fund.
- Premiums Received in Error; these are amounts erroneously received.

### 3.26 Pension premium income

#### Pension premium contribution

All amounts are in thousand Netherlands Antillean guilders

	2017	2016
Regular contributions		
Employees' contributions	9,149	8,990
Employers' contributions	28,482	27,274
Other contributions		
Contribution premium BB	124	169
Contribution premium WW	12	(1,104)
Premium restitution	(89)	(126)
<b>Total</b>	<b>37,676</b>	<b>35,204</b>
Contribution previous years	2,112	24,930
<b>Total</b>	<b>2,112</b>	<b>24,930</b>

The Fund is currently invoicing premiums for registered employees from the employers that are affiliated by the Fund. The total premium for normal contribution is ANG 38 million in 2017.

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From January 1, 2016 the Fund is invoicing at 25% as stated in the "PLvO". In the past it was common to adjust the pension premium percentage via national decree or ministerial decree. This was done to accommodate the country's financial situation taking into consideration the financial position of the APNA fund<sup>8</sup>.

The contribution is split in an employee portion and the balance from the employer as follows:

Total contribution: 25% \* gross salary \* Part time percentage<sup>9</sup>  
 Employee: 8% \*(gross salary – franchise) \* Part time percentage<sup>10</sup>  
 Employer: remaining portion

Contributions previous year are pension premiums invoiced in the current financial year for past periods. These are premiums received for participants who were retro-actively registered with the Fund; various employers are late in providing the necessary documents to register the participants in the Fund. In 2016, the difference 3% in the pension contribution from October 10, 2010 to December 31, 2015 is included in contribution previous year. This is not the case from 2017 onward as the Fund invoices at 25%.

### 3.27 Investment income

#### Investment income

All amounts are in thousand Netherlands Antillean guilders

	2017	2016
Investment properties income	605	17
Debt securities income	6,412	8,639
Income investments held at fair value	30,828	18,321
Time deposits income	1,922	1,484
<b>Total</b>	<b>39,767</b>	<b>28,461</b>

#### Investment properties income

The investment properties income is the lease income from the tenants of the Professional Office Park and the Mary's Fancy properties.

#### Debt securities income

The decrease of the debt securities income is due to the maturation of some of the government bonds.

#### Income investments held at fair value

The income investments held at fair value is significantly higher in 2017, when compared to previous year. Gains or losses arising from changes in the fair value is presented in the income statement in the period in which they arise.

<sup>8</sup> As is evident from the opening comments to the most recent version of the PLvO (AB 2016, no. 16 and AB 2016, no. 25.)

<sup>9</sup> Pensioenlandsverordening overheidsdienaren (AB 2016 2016, no. 16) Art. 58

<sup>10</sup> Pensioenlandsverordening overheidsdienaren (AB 2016 2016, no. 16) Art. 62

### 3.28 Other income

#### Other income

All amounts are in thousand Netherlands Antillean guilders

	2017	2016
Late payments penalty contributions	1,480	2,170
<b>Total</b>	<b>1,480</b>	<b>2,170</b>

This amount of the legal interest (3.5%) charged to the affiliated employers for the late payments of contributions or other outstanding amounts. In 2017, the penalty calculations pertaining to the outstanding debt of the affiliated entities were reviewed in detail.

### 3.29 Pension benefits payments

#### Pension benefits payments

All amounts are in thousand Netherlands Antillean guilders

	2017	2016
Retirement pensions	17,472	17,041
Widow pensions	1,223	1,112
Orphan pensions	165	225
Disability pensions	453	453
Smartegeld	85	63
Pension lumpsum	47	141
Other	173	49
<b>Total</b>	<b>19,616</b>	<b>19,086</b>

These are the amounts paid to the pensioners and other beneficiaries of the Fund.

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### 3.30 Investment expenses

#### Investment expenses

All amounts are in thousand Netherlands Antillean guilders

	2017	2016
Investment properties expenses	389	174
Loan expenses	240	-
Debt securities expenses	-	82
Expenses investments held at fair value	4,014	2,973
<b>Total</b>	<b>4,642</b>	<b>3,229</b>

These are costs of the investments of the Fund.

#### Investment properties expenses

The increased expenses are mainly result of the new Professional Office Park building that was purchased in December 2016. The depreciation expenses are part of the investment properties expenses.

#### Expenses investments held at fair value

All amounts are in thousand Netherlands Antillean guilders

	2017	2016
Investment manager commission	3,567	3,324
Other (income) / expenses held at fair value	447	(351)
<b>Total</b>	<b>4,014</b>	<b>2,973</b>

#### Investment manager commission

This is the fee paid to the investment / fund managers of the international portfolio. The total fee consists of a commission that is calculated as a percentage of the portfolio value at the end of each quarter. Additionally, one of the fund managers also receives a performance fee. The commission fee ranges between 1.1% and 1.5% per year.

#### Other (income)/expenses held at fair value

This is the amount expensed for taxes withheld by the United States of America Internal Revenue Service (IRS) for dividend income from equity positions held in the international portfolio. In 2016 the amounts paid in 2012 were refunded.

For the years 2013-2017 the Fund has requested the custodian bank to prepare the tax returns for the respective years after which they will be filed at the IRS.

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### 3.31 Operating expenses

#### Operating expenses

All amounts are in thousand Netherlands Antillean guilders

	2017	2016
Direct personnel expenses	2,198	2,151
Indirect personnel expenses	121	77
Office expenses	89	113
Housing expenses	265	228
Travel & Publicity expenses	146	100
Depreciation expenses	196	259
Automation expenses	88	100
Professional services expenses	930	758
Project team expenses	171	580
Board & Investment committee expenses	540	461
Other general expenses	98	30
<b>Total</b>	<b>4,841</b>	<b>4,857</b>

#### Employee benefits

The employees that are in service of the Fund are also participants in the pension scheme that is being executed by the Fund. In the table below the amount expended for this benefit for the staff is illustrated. The Fund expects that the 2018 pension contribution will amount to ANG 361,000.

#### Pension contribution

All amounts are in thousand Netherlands Antillean guilders

	2017	2016
Pension contribution	348	318
<b>Total</b>	<b>348</b>	<b>318</b>

#### Lease expenses

The Fund rents two office premises. The rental agreements are for a period of two years, with an option to renew.

The Fund also leases security hardware such as security cameras. In the table below the amount paid for office rent and equipment lease is specified.

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### Lease expense

All amounts are in thousand Netherlands Antillean guilders

	2017	2016
Office rent	137	131
Equipment rental	8	10
<b>Total</b>	<b>145</b>	<b>141</b>

The Fund has no other lease agreements.

### 3.32 Financial income/ (expenses)

#### Financial (expenses) / income

All amounts are in thousand Netherlands Antillean guilders

	2017	2016
Bank charges	(66)	(58)
Exchange differences	(44)	(388)
Payment differences	(3)	14
Interest income (expenses)	485	267
<b>Total</b>	<b>372</b>	<b>(165)</b>

The Fund has two interest bearing current accounts. The cash position on these accounts has increased resulting in an increase of bank interest for the Fund.

### 3.33 Going concern basis of accounting

The financial statements have been prepared on a going concern basis, which assumes that the Fund will be able to meet the pension benefits obligations.

The Fund recognized a profit of ANG 21 million for the year ended 2017, however as explained in note 2, the main objective of the Fund is to ensure that the Fund will always be able to meet its obligations to its participants. Therefore, the Fund aims to achieve a funding ratio of 105%. The current funding ratio is 103.1% which is lower than the target. Nonetheless, due to the pension reform, management believes that APS will be able to meet its obligations to the beneficiaries of the Fund in future.

To improve the financial position of the Fund, management has been and will continue to work with the Government of Sint Maarten and representatives of the participants to put reform measures in place.

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### 3.34 Commitments

*(a) Capital commitments*

At the end of the reporting period there is no capital expenditure incurred.

*(b) Other commitments*

All amounts are in thousand Netherlands Antillean guilders

	Dec 31, 2017	Dec 31, 2016
No later than 1 year	529	2,683
Later than 1 year and no later than 5 years	-	-
<b>Total</b>	<b>529</b>	<b>2,683</b>

The Fund had a five-year contract for the pension program that expired in May 2017. The contract was allowed to extend for one year and was not cancelled.

The Fund rents two office premises from the same landlord. The rental agreements are for a period of two years, with an option to renew.

The Fund also leases various services and software under cancellable agreements. The Fund is required to give a two to five-month notice for the termination of these agreements. The agreement expenses are charged to the income statement during the year.

There are no future minimum payments under non-cancellable agreements.

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### 3.35 Related parties

The Board of Directors of the Fund consists of a maximum of five members that are appointed by the Governor of Sint Maarten via a decree. The compensation of the Board of Directors is also determined via a decree from the Governor of Sint Maarten. There are no short-term, post-employment, termination or other long-term benefits for the members of the board.

The key management of the Fund includes two directors ('directeur en adjunct-directeur') and the legal advisor. Their salaries are temporarily based on the salary scale of the Government of Sint Maarten. The compensation paid or payable to the Board of Directors and key management is shown in the following table:

All amounts are in thousand Netherlands Antillean guilders

	2017	2016
Board of Directors' compensation	175	135
Investment Committee's compensation	45	41
Audit Committee's compensation	41	-
<b>Salaries key management</b>		
Short term benefits key management	409	323
Pension contributions key management	55	70
Other long term benefits key management	21	2
<b>Total</b>	<b>747</b>	<b>569</b>

In February 2017 the Fund commenced payment of the audit committee's remuneration.

The increase of the salaries for key management is due to the hiring of a legal advisor. This position was vacant from June 2015 to May 2017. In May 2016 the Director was hired.

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### 3.36 Investments held at the beginning and end of the period

All amounts are in thousand Netherlands Antillean guilders

	Value at December 31, 2016	% of total	Increase through investments	Decrease through disinvestments / amortization / sales	Change in market value/accumulated accrued return	Value at December 31, 2017
<b>Investment properties</b>						
Land & Buildings	17,886	3.95%	-	(174)	-	17,712
Investment property under co	2,310	0.51%	541	-	-	2,851
<b>Sub-total</b>	<b>20,196</b>	<b>4.46%</b>	<b>541</b>	<b>(174)</b>	<b>-</b>	<b>20,563</b>
<b>Investments held to maturity</b>						
Debt security corporate	113,232	25.02%	3,496	(6,475)	-	110,252
Time deposits	55,000	12.15%	-	-	-	55,000
<b>Sub-total</b>	<b>168,232</b>	<b>37.17%</b>	<b>3,496</b>	<b>(6,475)</b>	<b>-</b>	<b>165,252</b>
<b>Loans</b>						
Loans	8,079	1.79%	2,856	-	-	10,935
<b>Sub-total</b>	<b>8,079</b>	<b>1.79%</b>	<b>2,856</b>	<b>-</b>	<b>-</b>	<b>10,935</b>
<b>Investments held at fair value through P&amp;L</b>						
Fixed income	58,437	12.91%	47,620	(9,314)	(32,218)	64,524
Equity	137,260	30.33%	398,396	(395,945)	18,897	158,608
<b>Sub-total</b>	<b>195,697</b>	<b>43.24%</b>	<b>446,017</b>	<b>(405,260)</b>	<b>(13,321)</b>	<b>223,133</b>
<b>Other investments</b>						
Division of assets APNA - APC	61,922	13.68%	-	(49,113)	-	12,809
Division of assets APNA - PCN	(1,550)	-0.34%	-	-	-	(1,550)
<b>Sub-total</b>	<b>60,372</b>	<b>13.34%</b>	<b>-</b>	<b>(49,113)</b>	<b>-</b>	<b>11,259</b>
<b>TOTALS</b>	<b>452,576</b>		<b>452,909</b>	<b>(461,022)</b>	<b>(13,321)</b>	<b>431,142</b>

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### 3.37 Events after the reporting date

#### (a) Pension reform

Currently, the final stages for the implementation of the reform of the pension scheme are ongoing. The following stakeholders are participating in this process:

- The Ministries of General Affairs, Finance and VSA of the Government of St. Maarten;
- The unions representing the civil service and personnel of the public and subsidized schools;
- The General Pension Fund of St. Maarten (APS).

The goal of the reform is to ensure that the pension scheme is financially sustainable. The pension covenant was signed in January 2017. The pension covenant contains the points agreed upon between the members of the work group, pertaining to several pension-related topics. The agreement was limited to the topics on which consensus had been reached prior to December 2016, such as the switch to an average pay pension scheme, the increase of the pensionable age to 65 years, and a one-time increase of pension entitlements by 10% of the accrued rights.

According to the pension reform, APS must draw up a recovery plan if the coverage ratio is lower than 100% at the end of the year. The recovery plan describes measures that must ensure that the funding ratio will be higher than 100% in five years. If after 5 years, the funding ratio is not higher than 100% additional measures will be taken such as:

- The employers pay a one-off extra single premium;
- The pension of all participants and beneficiaries are reduced.

If the coverage ratio is higher than 105% the Fund will repay the two measures as mentioned above to the minimum coverage ratio of 105%.

In the event that the coverage ratio is reduced below 100% due to the adaptation of the actuarial principles, the Minister of Finance can make a financing agreement to determine a contribution (max 19.3%) to the Fund to partially or fully absorb the reduction.

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