



2019 ANNUAL REPORT

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ALGEMEEN PENSIOENFONDS SINT MAARTEN FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 2019

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1. APS BOARD REPORT

1.1 FOREWORD

The Algemeen Pensioenfonds Sint Maarten (hereinafter: 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 (3) legal successors of "Algemeen Pensioenfonds Nederlandse Antillen" (hereinafter: APNA).

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that governs the Fund is the national ordinance: "Landsverordening Algemeen Pensioenfonds Sint Maarten" (AB 2010, no 64 superseded by AB 2015, no 9) (hereinafter: LvO APS).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

1.2 MISSION, VISION AND CORE VALUES

Mission

We are a trustworthy and leading pension fund. We commit ourselves to a future-oriented pension scheme that is upheld by all participants. We add value by investing in the sustainable development of Sint Maarten.

Vision

APS aims to grow sustainably with a dedicated focus on people, society and the environment. We are in continuous innovation with the purpose of meeting the needs and demands of all participants and pensioners in an ever-changing world. We deliver quality and customized service; we report proactively; we maintain a transparent and inclusive relationship with employers, participants, pensioners as well as partners.

General

The Fund executes two (2) main pension schemes that are regulated in two (2) national ordinances: The transition articles of the "Pensioenlandsverordening Overheidsdienaren" (AB. 2013, GT no. 785 amended by AB 2016, no. 16 and AB 2016, no. 25) (hereinafter: PLvO) in conjunction with the "Pensioenverordening Burgerlijke Landsdienaren" (PB 1938, no. 15) (hereinafter: Pensioenverordening Burgerlijke Landsdienaren). The Pensioenverordening Burgerlijke Landsdienaren 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 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.

Core values

The core values of the fund are:

- Ethical: to have the unconditional trust of all participants and pensioners is invaluable for the Fund;
- Competent: The Fund's vast pension knowledge and financial expertise are the foundation of its belief and work system which encourages self-criticism and a continuous expansion of its expertise;
- Transparent: Conversations that were had with employers, participants, pensioners and partners indicated that more communication is required to share updates regarding the Fund's financial situation, performance and decision-making;
- Approachable: The Fund believes in being approachable and communicating openly. A professional and pleasant environment is prevalent in the Fund which results in employers, participants and partners to swiftly feel at ease while communicating. The board and staff members are equally accessible, honest and respectful internally and externally.

1.3 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 Curaçao and Sint Maarten (hereafter: CBCS) are also regulated.

Board composition

On December 31, 2019 the composition of the board was as follows:

Name:	Position:	Nominated by:	"Landsbesluiten"
Mr. Franklyn E. Richards	Chairman / Member	The Board of Algemeen Pensioenfonds Sint Maarten	LB-18/0059
Mr. Arend J. Alberts	Member	Bond van Gepensioneerden van de voormalige Nederlandse Antillen en Aruba	LB-16/1101
Ms. Shaira R. Bommel	Member	Corporate Governance Council	LB-17/0676
Vacant	Member	Civil Service Consultative Committee	n/a
Vacant	Member	The Minister of Finance	n/a

The vacant positions remained vacant as per the date of this report.

Investment Committee composition

As prescribed by the LvO APS, the Fund also has an Investment Committee (hereinafter: IC) in place. The IC advises the APS Board on the overall investment policy and guidelines as well as different investment opportunities.

On December 31, 2019 the composition of the IC was as follows:

Name:	Position:
Mr. Robert Judd	Chairman / Member
Mr. Charles Thomas	Member
Ms. Myrtille Brookson	Member

Audit Committee

In the last quarter of 2019, the positions for the Audit Committee became vacant. APS is looking to fill these positions in the near future.

Management of the Fund

The daily operation of APS is overseen by the director who 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.

Compliance: Security Screenings

The Security Service of Sint Maarten (In Dutch: "*Veiligheidsdienst Sint Maarten*") (hereinafter: 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 2019, the members of the board and the directorate have been successfully screened by the VDSM.

Additionally, the CBCS performs their own integrity testing. As per the end of 2019, the members of the board, IC and the directorate have successfully completed the integrity testing.

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 (hereinafter: IFRS) and audited by Grant Thornton Sint Maarten. Willis Towers Watson, located in the 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.

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 and formalizes additional supervisory rules based on the advice of the CBCS.

The Board 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 and the General Audit Chamber are tasked with the supervision of APS. CBCS also provides supplementary advice to the Minister of Finance and the Board of APS.



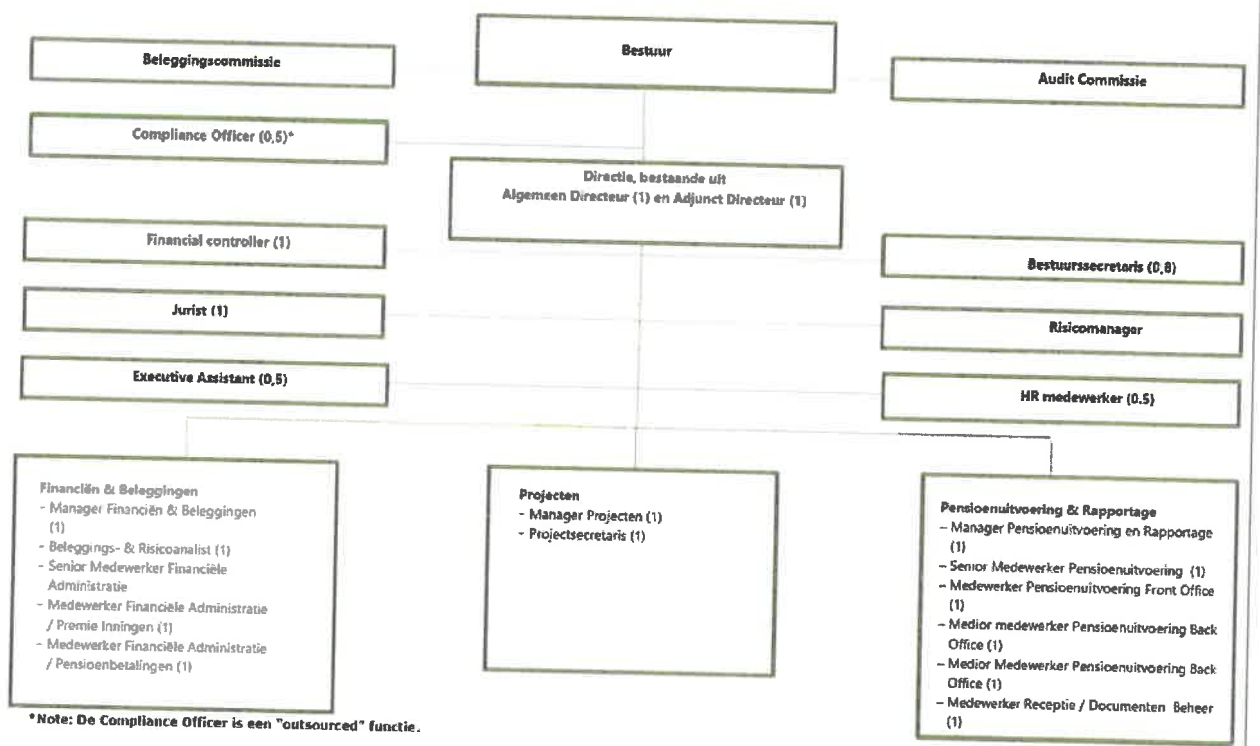
Structure of the Fund

At the end of 2019, APS had sixteen (16) full time employees.

As per the end of 2019, 2 positions were vacant (Investment & Risk Analyst and Manager Finance and Investments).

The Fund consists of three departments:

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



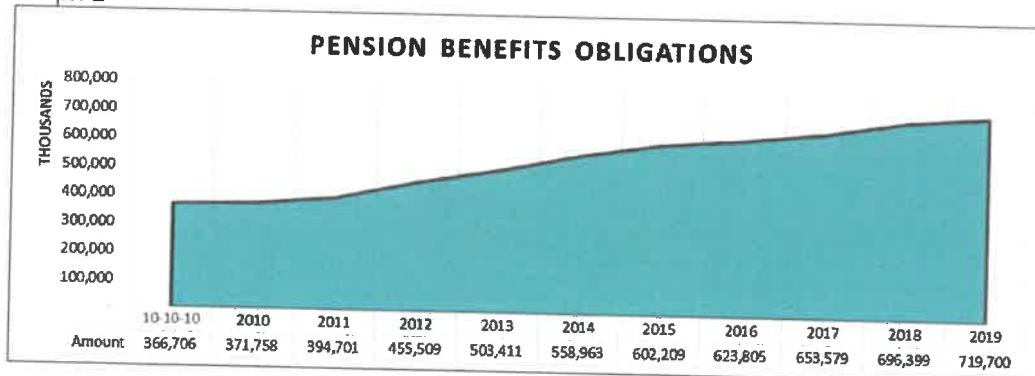
- The IC advises the APS Board on the overall investment policy and guidelines as well as different investment opportunities.
- The Audit committee reviews and discusses financial reporting and compliance with the internal control system and advises the Board.
- The Compliance Officer oversees the corporate compliance of the Fund, functions independently and objectively. The responsibilities also include reviewing and evaluating compliance issues/concerns within the organization.
- The 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 Director is absent, becomes the contact person for the Board as it pertains to the Fund's policies and strategic planning.

- The Secretary of the Board participates in the meetings of the Board and prepares the agenda, reviews the quality of the documents for the Board (meetings) 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 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 directorate. This includes preparing and processing official internal and external communication such as formal letters, the APS website and the APS Facebook page.
- The Legal Advisor provides legal support to the organization through 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.
- The Human Resources officer (hereinafter: 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 and Investments Department activities include the collection of premiums, payments to beneficiaries, financial administration, financial analysis, preparation of the annual report, the preparation and execution of investment opportunities, providing recommendations on the investment policy and the monitoring of the existing investments.
- The Projects Department: is responsible for executing the local real estate development projects.

1.4 DEVELOPMENT OF THE PENSION BENEFIT OBLIGATIONS

The development of the pension benefits obligation since the inception of APS is shown in the Graph 1.

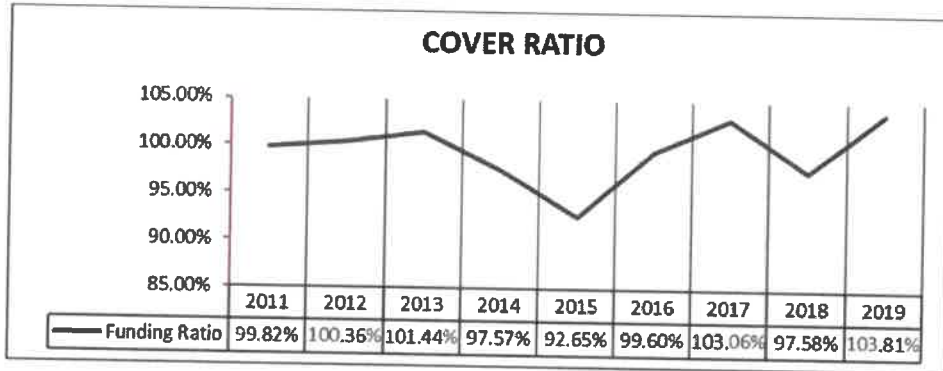
Graph 1



In 2019 the pension benefits obligation increased with ANG 23 million to ANG 720 million compared to an increase of ANG 43 million in 2018 to ANG 696 million.

1.5 COVERAGE RATIO DEVELOPMENT

The coverage ratio as per December 31, 2019 is 103.81%, this is above the minimum of 100%, meaning that the Fund will be able to meet its current and future financial obligations to its participants with all variables unchanged.



The coverage ratio increased with 6.24% compared to 2018. This change is a result of but not limited to:

- the increase of the total assets with 10%, from ANG 686 million (2018) to ANG 754 million (2019)
- the increase of the pension benefits obligation with 3.35%, from ANG 696 million (2018) to ANG 720 million (2019). Refer to § 3.21 for the details of the calculation of the pension benefits obligation.

If the pension reform is implemented, it is expected (all other variables remaining the same) that the coverage ratio will increase with approximately 5%.

Pension reform

In June 2020 Parliament approved the new proposed legislation concerning the pension reform.

The main changes/topics of the reform are:

- retirement age increase to 65;
- conditional indexation (based on the coverage ratio >105%);
- average pay pension system;
- premium contribution is reduced to 18%;
- pension accrual from age 18 instead of 25; and
- 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 stakeholders that were represented in the workgroup: MinAZ, MinFin and the unions. 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 the 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%; and
- 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 coverage ratio will be higher than 100% in five (5) years. If after five (5) years, the coverage 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 initiate a financing agreement to increase the pension premium contribution to max 19.3% in order to partially or fully absorb the coverage ratio reduction.

1.6 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 9.54%.

The total net investment result is ANG 59 million in 2019, compared to ANG -11 million in 2018. This significant increase is mainly the result of the change in the market value of the positions held in the international portfolio (investments in fixed income and equity).

Local portfolio

In 2019 the Local portfolio yielded a year to date (hereinafter: YTD) net return of +2.77%, including cash. The local portfolio did not meet the APS investment objective to approximate an average return of 3% - 6% annually as stated in the Master Investment Policy Statement (hereafter MIPS) due to the excess liquidity (cash and call deposits) in its local portfolio.

In the section below a brief explanation of each local portfolio investment is given as well as the developments in 2019:

Investment properties

a) *Mary's Fancy Plantation /De Castro Property*

APS will restore the monuments which include 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 as a high-end eco boutique hotel, art gallery / outdoor museum and botanical garden.

In 2019 the Fund received the required monument permit from the Ministry of Education, Culture, Youth and Sport. The permit's scope is for both the demolition and reconstruction/construction of the property. The preliminary timeline schedules construction and restoration/renovation of the buildings on the property to commence in 2020.

b) Professional Office Park

APS purchased the property known as Professional Office Park in December 2016. The property is comprised of two commercial buildings located in Philipsburg from which APS is now receiving operational income in the form of lease payments from its tenants. In addition to the aforementioned operational real estate, the Fund also acquired a parcel of undeveloped land (ca. 37,000 m²) located directly behind the commercial buildings. The undeveloped land is intended to be developed in 2021.

c) Parking Lot Development

In September 2016, APS received this property as part of the debt settlement agreement with the Government of Sint Maarten. The property is the parking lot adjacent to the Government Administration Building in Philipsburg. It is slated for development of multi-level parking garage with commercial real estate on the ground floor. The development of the property is pending further decision-making by the APS.

Investment in debt securities corporate and time deposits

a) Debt security: Harbour Corporate Bond

The Harbour Corporate Bond was acquired in 2012. In 2019 the Harbour continued to satisfy its obligations under the Bond agreement and we expect them to continue doing so in the future.

b) Debt security: Telem Corporate Bond

APS holds two tranches of Telem Corporate Bond. First tranche was issued and acquired in 2016, second in 2017. In 2019 Telem continued to satisfy its obligations under the Bond agreement and we expect them to continue doing so.

c) Other debt securities and time deposits

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.

Loans

a) 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 created extraordinary circumstances for RFA. RFA reported that they were fortunate to incur limited damages to their assets however, requested a deferral of the interest payments for the period from September 2017 through September 2018 and a deferral of the principal repayments to October 2019 (an extension of the grace period of eight (8) months). This as the overall decrease in tourism sector and RFA operations was expected following hurricane Irma and throughout 2018, with partial recovery over 2019. These waivers were granted to RFA based on the provided projections, financial analysis and following due approval process by Lenders. However, the market recovery and the operational measures undertaken by RFA did not yield expected

results in 2019. The default due to non-payment of interest occurred on March 31st, 2019 and continued through the December 31st, 2019. As per Facility Agreement APS accrued the default interest over the period the Loan was in default. At the same time, the APS started working with RFA, the Agent and other Lenders on restructuring the RFA loan to remediate the default. As per December 31st, 2019 the discussions were ongoing. The final agreement on the restructuring has been reached in Q2 2020, resulting in no financial impact (loss) on the APS position.

b) Maho Hotel Operations

The Fund entered into a corporate loan financing agreement with Maho Hotel Operations in August 2018. The tenor of the loan is ten (10) years. Throughout 2019 Maho was fulfilling its loan agreement obligations and is expected to continue in the same manner for the remainder of the loan tenor.

c) Paradise Bay Resort

The Fund entered into a corporate loan financing agreement with Paradise Bay Resort in August 2017. However, the start of the project was delayed due to the passing of hurricane Irma in 2017. The first drawdown took place in February 2019. The project is not yet completed and further drawdowns are expected in 2020. The tenor of the loan is twenty (20) months.

Inventories

a) Welgelegen (Oryx Residences) housing development

APS has financed 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 initially be offered for sale to the participants of the Fund, and subsequently to the private potential buyers who live and work on Sint Maarten.

The purchase prices of the homes are under USD 250,000. At the end of 2019, the construction of the affordable homes was near completion. Some remedial works of the exterior of the buildings are scheduled to be completed in 2020. As such, the Fund has commenced the sales of the homes.



International Portfolio

In 2019 the international portfolio had a return of 20.17%. The increase of the international portfolio market values can be attributed to the swift international markets recovery in 2019 after a decline in the fourth quarter of 2018.

The following global market conditions characterized 2019 and had an effect on the performance of APS international portfolio:

- Major global equity market corrections in the fourth quarter 2018 resulted in discounted valuations, i.e., the S&P 500 Index declined approx. -19.8% in Q4 2018. The significant declines at the end of 2018 set up a better upside opportunity in equities for 2019.
- Following the 2018 global economic slowdown which saw many Nations with a declining Gross Domestic Production (GDP) and some entering economic recessions, we had a reversal beginning in early 2019, with most Developed and Emerging Market economies showing improving GDP growth rates throughout 2019, and no recessions in the Developed World countries. Improving economic activity led to greater revenues, higher profits, and significantly higher equity valuations globally.
- After the U.S. Federal Reserve had increased interest rates on three separate occasions during 2018, restricting the economic growth, the FED surprised the markets by decreasing interest rates on three separate occasions in 2019. The lower interest rates combined with additional fiscal stimulus were implemented to help the U.S. and World economies to improve.
- The lower interest rates resulted in higher returns from fixed income (bonds) due to market price appreciation on top of coupon interest earned, causing some of the best returns from fixed income in the last decade.
- The lower interest rates reduced the attractiveness of new investments into bonds because of the lower yields and resulted in large inflows into equities as investors seek sufficient returns. A "risk-on" environment developed, whereby investors were willing to take greater risks.
- In December 2017, the U.S. Government passed major tax cuts for individuals and corporations. Although the tax cuts were effective for calendar year 2018, the positive effect of the tax cuts did not show in the U.S. economy until late 2018 and 2019, as taxpayers pay taxes in April each year for the prior year. The lower corporate tax rates gave an advantage to U.S. based corporations and made them comparatively more profitable without any additional sales or revenues.
- During 2019, the U.S. recorded the lowest unemployment rates in its history. Wages, adjusted for inflation, increased for the first time in eight years resulting in greater consumption. Approximately 67% of the U.S. GDP is driven by consumers.
- U.S. consumer confidence hit all-time highs with more jobs and higher wages. When consumers are comfortable about their job security, combined with rising wages, consumption is higher.
- U.S. Domestic equities outperformed the non-U.S. equities due to a stronger relative economy within the U.S., and a stronger currency, attracting greater investment flows into the U.S. In 2019, the APS had a heavy over-weight allocation to U.S. equities compared to the MSCI All Countries World Index (ACWI) weightings which led to significantly better overall returns than would have been earned in the MSCI ACWI.

In summary, 2019 was a very good year for the APS international investments. As a result, the APS International Portfolio exceeded the APS investment objective to approximate an average return of 6% - 11% annually as stated in the Master Investment Policy Statement (hereafter MIPS). However, the international portfolio is a long-term investment portfolio, whereby periods of exceptionally high volatility (for underperformance as well as outperformance) will average out over time.

Category	Return 2019 YTD	Return since inception
Equity	25.72%	8.57%
Fixed income	9.91%	2.95%
Total	20.17%	6.71%

This can be seen in above table in the annualized returns since inception per end of 2019, where the International Portfolio yielded +6.71% on average annually since inception.

1.7 PENSION ADMINISTRATION DEVELOPMENT

The total number of registered active participants increased from 2684 in 2018 to 2692 in 2019. The average age of our active participants is 44.0 years old in 2019 this was 44.2 in 2018. 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 49.9 years. This is an increase from 49.7 in 2018.

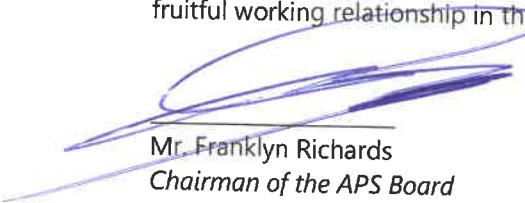
In 2019 the number of pension beneficiaries increased from 1122 to 1185 with most of the pensions being senior pensions. A number of these pension beneficiaries are persons that requested their pension retroactively.

Despite the increasing number of pension beneficiaries in the Fund, the system dependency ratio remains positive but has decreased to 1.31 in 2019 (2018: 1.42¹). The ideal dependency ratio is two (2). Management is vigilant in monitoring the development of this ratio. Now that the legislative amendments as a result of the pension reform are approved to be implemented per July 1, 2020 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.


1.8 ACKNOWLEDGEMENTS

We thank our fellow members of the Board (present and past), members of the IC, members of the Audit Committee, the Directorate and the staff, for working towards creating a better future for Sint Maarten and giving the best services to the APS members and participants now and in the future.

Throughout 2019 the Board, IC, 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 continued fruitful working relationship in the future.



Mr. Franklyn Richards
Chairman of the APS Board



Ms. Shaira Bommel
Member of the APS Board

¹ The system dependency ratio is the ratio of active participants in the Fund to non-active participants.

2. FINANCIAL HIGHLIGHTS

	2019	2018
Associated Employers 1)	32	30 1) For a number of the associated employers not the entire staff participates in the Fund.
Number of Participants		
Active registered participants 2)	2,692	2,684 2) Registered employees of an associated employer who contributed premiums to the pensionfund during the reporting year.
Participants with deferred rights 3)	876	764 3) Former employees of an associated employer who have accrued pension, however no longer contributed pension premiums during the reporting year.
Pensioners	1,185	1,122
Actives/non actives participants	1.31	1.42
Participants age average		
Active participants	44.0	44.2
Non active participants	57.6	57.5
All participants	49.9	49.7
Pension administration		
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 39,507	ANG 39,107
Pension administration expenses 5)	ANG 3,939	ANG 5,285 5) The operational expenses of the fund (including investment management expenses) are circa 0.7% of the funds's assets.
Pension payments	ANG 20,771	ANG 20,001
Pension premiums/pension payments	1.90	1.96

	2019	2018
Solvency		
All amounts are in thousand Netherlands Antillean guilders		
Pension assets	ANG 747,153	ANG 679,524
Minimum targeted pension assets	ANG 755,685	ANG 731,219
Pension obligation provision	ANG 719,700	ANG 696,399
Coverage ratio 6)	103.81%	97.58%
		6) A funding ratio below 100% is one of the indicators that the reform of the current pension legislation is needed.
Minimum targeted funding ratio 7)	105.00%	105.00%
Total provision/provision pensioners	2.28	2.28
		7) The Board-defined target for the funding ratio.
Investment portfolio		
All amounts are in thousand Netherlands Antillean guilders		
Equity	ANG 168,351	ANG 154,974
Fixed income	ANG 357,512	ANG 309,149
Internal Real Estate	ANG 22,000	ANG 21,530
Investment performance		
Targeted return	5.50%	5.50%
Total return	9.54%	-1.47%
Return domestic portfolio	2.77%	2.95%
Return international portfolio	20.17%	-8.99%

3. FINANCIAL STATEMENTS

3.1 STATEMENT OF FINANCIAL POSITION

		As at 31 December	
All amounts are in thousand Netherlands Antillean guilders			
	Note	2019	2018
Assets			
Property and equipment	3.8	5,232	5,309
Intangible assets	3.9	88	75
Investment properties	3.10	22,000	21,530
Financial assets:			
Investments in debt securities corporate and time deposits	3.11	181,748	176,645
Investments in fixed income and equity	3.12	240,975	186,309
Loans	3.13	50,625	40,981
Other non-current assets	3.14	5,371	12,729
Total non-current assets		506,039	443,579
Inventories	3.15	22,430	9,214
Accounts receivable	3.16	31,396	51,289
Other receivable	3.16	-	158
Accrued Interest Receivable	3.16	7,083	3,771
Short term portion of financial assets	3.17	20,000	20,000
Other current assets	3.18	185	237
Cash and cash equivalents	3.19	167,251	157,431
Total current assets		248,345	242,100
Total assets		754,384	685,679
Equity			
Reserves	3.20	(16,874)	20,022
Result current year	3.20	44,328	(36,896)
Total equity	3.20	27,454	(16,874)
Liabilities			
Pension benefits obligations	3.21	719,700	696,399
Other non-current liabilities	3.22	-	-
Total non-current liabilities		719,700	696,399
Accounts payable	3.22	274	415
Other payables	3.23	416	334
Accrued liabilities	3.24	6,541	5,406
Total current liabilities		7,231	6,155
Total liabilities		726,931	702,554
Total equity and liabilities		754,384	685,679

The accompanying notes are an integral part of these financial statements

3.2 STATEMENT OF COMPREHENSIVE RESULT

For the year ended 31 December

	Note	Year ended 31 December	
		2019	2018
All amounts are in thousand Netherlands Antillean guilders			
Revenues			
Pension premium income	3.26	39,507	39,107
Pension premium income previous years	3.26	428	1,238
Investment income	3.27	63,772	(7,004)
Other income	3.28	842	1,603
Total Revenues		104,549	34,943
Expenses			
Pension benefits payments	3.29	20,771	20,001
Investment expenses	3.30	5,305	4,123
Operating expenses	3.31	3,939	5,285
Net increase/ (decrease) in pension benefits obligation	3.21	23,301	42,820
Total expenses		53,316	72,229
Result from operating activities		51,234	(37,285)
Non operating expenses			
Financial income / (expenses)	3.32	474	390
Other financial income / (expenses)	3.33	(7,380)	-
Total non operating results		(6,906)	390
Result		44,328	(36,895)
Attributable to:			
To the Fund		44,328	(36,895)
Total comprehensive result		44,328	(36,895)

The accompanying notes are an integral part of these financial statements

3.3 STATEMENT OF CHANGES IN EQUITY

All amounts are in thousand Netherlands Antillean guilders

	Note	Year ended 31 December		
		Retained earnings	Attributable to the Fund	
			Total	Total equity
At January 1, 2018		20,022	20,022	20,022
<i>Comprehensive Income for the period</i>				
Result for the period	3.20	(36,895)	(36,895)	(36,895)
Year ended December 31, 2018	3.20	(16,874)	(16,874)	(16,874)
<i>Comprehensive Income for the period</i>				
Result for the period	3.20	44,328	44,328	44,328
Total comprehensive Result for the period		44,328	44,328	44,328
Total contributions by and distributions to the Fund		-	-	-
Year ended December 31, 2019	3.20	27,455	27,455	27,455

The accompanying notes are an integral part of these financial statements

3.4 STATEMENT OF CASH FLOWS

All amounts are in thousand Netherlands Antillean guilders	Note	Year ended 31 December	
		2019	2018
Cash flows from operating activities			
Result (negative) / positive		44,328	(36,895)
Adjustments for:			
Depreciation of property and equipment	3.8	88	93
Amortization of intangible fixed assets	3.9	20	32
Depreciation of investment property	3.10	-	(532)
Unrealized (gain) loss investments in fixed income and equity	3.37	(48,331)	24,928
Unrealized (gain) loss on other investments	3.37	-	(1,470)
Increase in pension benefits obligations	3.21	23,301	42,820
Decrease (increase) other non-current assets	3.14	7,358	-
Mutations work capital:			
Decrease (increase) in inventories	3.15	(13,216)	(7,904)
Decrease (increase) in accounts receivable	3.16	19,893	1,578
Decrease (increase) in other receivable	3.16	158	-
Decrease (increase) in other current assets	3.18	52	(76)
Increase (decrease) in accounts payable	3.22	(141)	177
Increase (decrease) in other payables and accrued liabilities	3.23/3.24	1,217	406
Net cash flows from operating activities		34,727	23,157
Investing activities			
Acquisitions			
Acquisition of property and equipment	3.8	(11)	(80)
Acquisition of intangible assets	3.9	(32)	(57)
Acquisition of investment properties	3.10	(470)	(435)
Acquisition of investment in debt corporate and time deposits	3.37	(30,000)	(37,724)
Acquisition of investments in fixed income and equity	3.37	(189,647)	(274,824)
Acquisition of loans receivable	3.37	(9,644)	(30,046)
Proceeds			
Proceeds from maturities of debt corporate and time deposits	3.37	24,897	6,331
Disinvestment of investments in fixed income and equity	3.37	183,311	286,719
Interest received	3.17	(3,312)	(295)
Net cash flow from investing activities		(24,908)	(50,410)
Cash flow			
Net cash flow in cash and cash equivalents		9,819	(27,253)
Cash and cash equivalents at beginning of period	3.19	157,431	184,683
Cash and cash equivalents at end of period	3.19	167,251	157,431

The accompanying notes are an integral part of these financial statements

3.5 GENERAL NOTES

Algemeen Pensioenfonds Sint Maarten (hereinafter: APS or Fund) is one of the legal successors of the former "Algemeen Pensioenfonds van de Nederlandse Antillen" (hereinafter: APNA) and is expected to continue carrying on the role of its predecessor. The Fund is established on 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 on June 18th, 2020.

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 'Pensioenlandsverordening 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 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 ordinance AB 2016, no. 16 and 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

Government N.V.'s and foundations cont'd

- 17 Telem Group of Companies
- 18 United Telecommunication Services
- 19 National Institute for Professional Advancement
- 20 Vertegenwoordiging van Nederland op Aruba, Curacao en Sint Maarten

Public entities

- 21 Centrale Bank van Curacao & St. Maarten
- 22 Sociale & Ziektekosten Verzekeringen
- 23 Algemeen Pensioenfonds Sint Maarten
- 24 National Recovery Program Bureau
- 25 Integrity Chamber

High Council organisations

- 26 Leden van de Staten
- 27 Raad van Advies
- 28 Sociaal Economische Raad
- 29 Kabinet van de Gouverneur Sint Maarten
- 30 Algemene Rekenkamer
- 31 Ombudsman
- 32 Raad voor de Rechtshandhaving

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

The total number of participants in the fund is 4753. This consists of 2692 registered active participants, 876 participants with deferred rights and 1185 beneficiaries.

Participants

	2019	2018
Active Participants	2,692	2,684
Participants with deferred rights	876	764
Pensioners	1,185	1,122
Total	4,753	4,570

Funding policy

The main objective of the Fund is to ensure that the Fund is able to meet its current and future obligations to its participants. Therefore, the Fund aims to achieve a minimum coverage ratio of 100% and a target of 105%. The coverage ratio per 31 December 2019 is 103.81% which is higher than the minimum but lower than the targeted amount. The Fund conducts an Asset /Liability Management (hereinafter: ALM) study once every three (3) to five (5) years² to ensure the sustainability of the Fund. The results of such 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 etc., 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.; and
- establishing the long-term investment policy and performing annual investment structure reviews.

Investment policy

The investment policy stipulates the guidelines which the Board of APS deems to be prudent considering 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 LvO APS. This is 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 are broadly diversified to minimize the effect of short-term losses within any investment program. All investment transactions are designed and

²The last ALM-study was conducted in 2014

executed solely in the interest of, and for the exclusive purposes of providing benefits to the Fund's participants.

The investment policy is a dynamic document. The underlying assumptions related to the Fund's liabilities and other relevant fundamentals are reviewed from time to time based on a periodic Asset Liability Management (ALM) study of the Fund.

The actual asset allocation as at December 31, 2019, policy (strategic) asset allocation and permissible ranges are listed in the following table:

All amounts are in thousand Netherlands Antillean guilders

Asset allocation as at December 31, 2019

	2019	Actual %	Policy Target %	Difference	Allowable Range relative to target
External Equity Securities	168,351	25%	28.0%	3%	+/- 15%
Local Equity Securities	-	0%	6.0%	6%	+/- 15%
Total Equity	168,351	25%	34.0%	9%	+/- 15%
External Fixed Income & Money Funds	105,139	15%	12.0%	-3%	+/- 5%
Local Fixed Income & Bank Time Deposits	252,373	37%	44.0%	7%	+/- 5%
Total Fixed Income	357,512	52%	56.0%	4%	+/- 5%
Internal Real Estate	22,000	3%	9.0%	6%	+/- 5%
Internal Cash	134,735	20%	1.0%	-19%	0% - 10%
Total	682,599	100%	100%	0%	N/A

A comprehensive analysis of the Fund's Asset Allocation Strategy including target asset class allocations and ranges is completed at least once every three years and is presented to the Board of APS for approval. APS Management may recommend conducting the comprehensive analysis prior to the three years, if the long term expected returns, risks or liability values have substantially changed relative to the prior analysis. To achieve this, the program is reviewed by a third-party Consultant and the APS Management, at least annually, to ensure that all assumptions used in determining the program remain reasonable.

The Investment Program is underpinned by a holistic analysis of APS's current and expected financial condition including APS's projected liabilities. Such analysis will also encompass the expected long-term capital markets outlook, expected inflation, and APS's risk tolerance. All investments are conducted in accordance with the approved Asset Allocation Strategy and APS's operational governance structure, including the ongoing oversight by the Investment Committee and the Board to ensure proper monitoring.

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 (hereinafter: 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 if indicated otherwise, 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, 2019
The accounting policies applied in these financial statements are consistent with those of the previous financial year except for:

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 has determined the impact of this new standard. All leases can be qualified as short term under the definition of the Standard, hence IFRS 16 does not have any impact on the Financial Statements of the Fund.

Other standards, amendments and interpretations which are effective for the financial year beginning on January 1, 2019 are not relevant to the fund.

b) New standards, interpretations and amendments not yet effective

At the date of authorization of these financial statements, several new, but not yet effective, Standards and amendments to existing Standards, and Interpretations have been published by the IASB. None of these Standards or amendments to existing Standards have been adopted early by the Fund.

Management anticipates that all relevant pronouncements will be adopted for the first period beginning on or after the effective date of the pronouncement. New Standards, amendments and Interpretations not adopted in the current year have not been disclosed as they are not expected to have a material impact on the Fund's financial statements.

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 LvO APS. The Fund aims to achieve a coverage ratio of 105%.

The capital is used to generate wealth through investment. The coverage 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.

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 improvement costs.

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

The Fund rents three (3) office units from the same landlord. The rental agreements are for a period of two (2) 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 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; and
- 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:

Asset Type	# of Years	Method	Residual Values
Computer Software	5 years	Straight line	0

Depreciation has been included in note 3.31 Operating Expenses of the Financial Statements.

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, which is property held to earn rentals and/or for capital appreciation, including property under construction for such purposes, is measured initially at its cost, including transaction costs. Subsequent to initial recognition, investment property is measured at fair value.

Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise. An investment property is derecognized upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognized.

IFRS 13, "Fair Value measurement" – is a standard that requires or permits fair value measurements or disclosures and provides a single IFRS framework for measuring fair value and requires disclosures about fair value measurement. The Standard defines fair value on the basis of an 'exit price' notion and uses a 'fair value hierarchy', which results in a market-based, rather than entity-specific, measurement. The fair value hierarchy is based on the type of inputs and is defined as follows:

- Level 1: Quoted prices, which are not adjusted, in an active market for identical assets and liabilities that the entity can access at the measurement date,

- Level 2: inputs, other than quoted prices in Level 1, that are observable, either directly or indirectly,
- Level 3: inputs are unobservable, inputs that are usually determined based on management's assumptions. However, Level 3 inputs have to reflect the assumptions that market participants would use when determining an appropriate price for the asset.

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 APS' 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.

APS' investment properties are categorized as level 3.

Financial assets

The financial assets and liabilities consist of investments ('Retirement benefit plan assets'), property and equipment, Intangible assets, Other current assets, cash and cash equivalents and the current liabilities.

Retirement benefit plan assets are recorded in agreement with IAS 26 and are classified as fair value. In the case of marketable securities fair value is market value. Where plan investments are held for which an estimate of fair value is not possible disclosure shall be made of the reason why fair value is not used.

The other financial assets and liabilities which are related to the operational activities of the Fund are designated as financial assets and liabilities against amortized cost. The effect of discounting at balance sheet date is estimated to be not significant.

a) Investments in fixed income and equity

Investments in fixed income and equity consist of foreign bonds and stock exchange listed shares. Regular purchases and sales are recognized on the trade-date, the date on which the fund commits to purchase or sell the asset. Investments are initially recognized at fair value and transaction costs are expensed in the income statement. The investments are revalued at last known fair value at balance sheet date based on the valuation received from the asset managers.

Investments in fixed income and equity 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.

Gains or losses arising from changes in the fair value of the 'Investments in fixed income and equity' category is presented in the income statement within 'Net change in value -' in the period in which they arise. Dividend income from investments in fixed income and equity is recognized in the income statement as part of other income when the Fund's right to receive



payments is established.

b) Loans, other non-current assets and receivables

Loans, other non-current assets 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 loans, other non-current assets and receivables have been acquired to match a part of the obligations of the plan. After initial measurement at fair value plus transaction costs, they are carried at amounts based on their ultimate redemption value assuming a constant rate of return to maturity.

c) Investments in debt securities corporate and time deposits

Investment in debt securities corporate and time deposits 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. They have been acquired to match a part of the obligations of the plan. After initial measurement at fair value plus transaction costs, investments in debt securities corporate and time deposits are carried at amounts based on their ultimate redemption value assuming a constant rate of return to maturity.

IFRS requires certain disclosures to be presented by category of instrument based on the IAS 26 measurement categories. Certain other disclosures are required by class of financial instrument. For those disclosures the Fund 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.

IFRS 7 fair value measurement hierarchy

IFRS 7 requires certain disclosures which entail 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

Impairment under IFRS 9, applicable to financial assets against amortized cost ('Operational assets') requires the use of more forward-looking information to recognize expected credit losses – the 'expected credit loss (ECL) model'. This replaces IAS 39's 'incurred loss model'.

Recognition of credit losses is no longer dependent on the Funds first identifying a credit loss event. Instead the Fund considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1'),
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2'), and
- financial assets that have objective evidence of impairment at the reporting date ('Stage 3')

'12-month expected credit losses' are recognized for the first two categories (Stage 1 and 2), while 'lifetime expected credit losses' are recognized for the financial assets categorized as Stage 3.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

This part of IFRS 9 is applicable on the other current assets and cash and cash equivalents. Management has determined the impact of impairment on these financial assets and concluded that this is not material.

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.

At completion of development the asset will be valued and recorded at fair value under Investment Property.



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

Receivables are initially recognized at fair value, being the cost price minus the transaction costs that are directly attributable to their acquisition or creation. Subsequently receivables are re-measured at their fair value. For receivables with a maturity within twelve months after the end of the financial year, the cost included in the acquisition is deemed to be a reflection of the fair value at the end of the financial year. All other receivables with a maturity longer than twelve months after the end of the financial year, are measured using the interest rate applicable at the end of the financial year for the remaining maturity of the receivable.

Interest receivable

Interest receivable are the amounts accrued from investments in loans, debt securities corporate and 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 (1) year or less (or in the normal operating cycle of the business if longer).

Recognition and measurement

For accounts payables with a maturity within twelve months after the end of the financial year, the cost included in the acquisition is deemed to be a reflection of the fair value at the end of the financial year. All other payables with a maturity longer than twelve months after the end of the financial year, are measured using the interest rate applicable at the end of the financial year for the remaining duration of the payable.

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.

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 investments in fixed income and equity - realized and unrealized revenues from foreign bonds and stock exchange listed shares and related interest revenue and dividends received;
- Other investment income - investment revenues that cannot be categorized as one of the above; and
- Other income - revenues that cannot be categorized as investments nor premium income for example the penalty for untimely payment of premiums by the employers.

To determine whether to recognize pension premium income, the Fund follows a 5-step process:

- 1 Identifying the contract with a customer
- 2 Identifying the performance obligations
- 3 Determining the transaction price
- 4 Allocating the transaction price to the performance obligations
- 5 Recognizing revenue when/as performance obligation(s) are satisfied.

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.

b) Other post-employment obligations

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

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 reasonable expectations about the relevant future events. Nevertheless, the actual outcomes in the future 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 was 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 was determined by the Island territory that the participants 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.

b) Division of asset revenues

Following the initial division of APNA assets, the Fund received the allocated annuity loans and bonds of the former Netherlands Antilles and Island territory Curacao in 2015.



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

All amounts are in thousand Netherlands Antillean guilders

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

c) *Measurement of defined pension benefits obligations*

The calculation of the pension benefits obligations is sensitive to 'Mortality rate' and 'Actuarial assumptions'. 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 also exposed to the following other financial risks:

- Leverage Risk and
- Counterparty Risk.

The overall objective of the Fund is to set policies that seek to reduce risk as much 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's income or the value of its financial instruments holdings.

Categories of financial instruments

All amounts are in thousand Netherlands Antillean guilders

	2019	2018
Financial assets		
Cash and cash equivalents	134,735	117,244
Investments in fixed income and equity	273,491	209,250
Investments in debt securities corporate and time deposits	201,748	196,645
Loans	50,625	40,981
Receivables (including trade receivables)	44,035	68,183
Financial liabilities		
Amortised cost (including trade payables)	7,231	6,155

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 exposed to price risk on its investment properties and 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 does 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 3.49 years). All durations are subject to constant change with active management of the fixed income portfolio.

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 in debt securities corporate, loans and time deposits. 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 2019 would decrease/increase by ANG 1 million

c) Foreign exchange risk

The Fund's indirect currency exposure (risk) at 31 December 2019 was 2.39 percent of the total external portfolios (2018: 3.71). The indirect exposure is due to the investments in International Small Cap Equities, mainly in Asian and European/Eastern markets. All the equity and fixed income strategies and funds are traded and denominated in USD. 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 14 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 default on it. 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.

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 also aims to secure the first collateral for these loans and debt securities including tangible immovable assets.

The table below provides information regarding the credit risk exposure of the Fund.
All amounts are in thousand Netherlands Antillean guilders

	Neither past due nor impaired	Past due but not impaired	Past due impaired	Total
2019				
Cash and cash equivalents	167,251	-	-	167,251
Short term portion of financial assets	20,000	-	-	20,000
Accounts receivable	3,921	27,475	-	31,396
Accrued Interest Receivable	7,083	-	-	7,083
Other receivable	-	-	-	-
Other current assets	185	-	-	185
Other non-current assets	-	5,371	-	5,371
Loans	50,625	-	-	50,625
Investments in debt securities corporate and time deposits	181,748	-	-	181,748
Total	430,813	32,846	-	463,658

	Neither past due nor impaired	Past due but not impaired	Past due impaired	Total
2018				
Cash and cash equivalents	157,431	-	-	157,431
Short term portion of financial assets	20,000	-	-	20,000
Accounts receivable	3,820	47,469	-	51,289
Accrued Interest Receivable	3,771	-	-	3,771
Other receivable	158	-	-	158
Other current assets	237	-	-	237
Other non-current assets	-	12,729	-	12,729
Loans	40,981	-	-	40,981
Investments in debt securities corporate and time deposits	176,645	-	-	176,645
Total	403,043	60,198	-	463,240

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 (cash and cash equivalents) to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking the Fund's reputation. To achieve this aim, the Fund seeks to maintain cash and cash equivalent balances (or agreed facilities) to equal the amount of at least 3 months of pension payments and 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.

At the other hand the local investments are not liquid. The Fund seeks to mitigate the illiquidity risk of the local investment portfolio through diversification of investment types and maturity dates of the local investments.

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 years	Over 5 years	Total
At December 31, 2019				
Time deposits	20,000	80,000	-	100,000
Debt securities government	3,021	18,482	18,469	39,972
Debt securities corporate	2,083	15,454	44,239	61,776
Loans	-	-	50,625	50,625
Total	25,104	113,936	113,333	252,373

All amounts are in thousand Netherlands Antillean guilders

	Less than 1 year	Between 1 and 5 year	Over 5 years	Total
At December 31, 2018				
Time deposits	20,000	70,000	-	90,000
Debt securities government	2,829	17,304	22,652	42,786
Debt securities corporate	2,083	8,331	53,445	63,859
Loans	-	-	40,981	40,981
Total	24,912	95,636	117,078	237,626

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
2019				
Accounts payable	274			274
Other payable	416			416
Accrued liabilities	6,541			6,541
Pension benefits obligations	20,771	102,814	596,115	719,700
Total	28,002	102,814	596,115	726,931

All amounts are in thousand Netherlands Antillean guilders

	Less than 1 year	Between 1 and 5 years	Over 5 years	Total
2018				
Accounts payable	415			415
Other payable	334			334
Accrued liabilities	5,406			5,406
Pension benefits obligations	21,312	99,486	575,601	696,399
Total	27,467	99,486	575,601	702,554

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 or when securities lending is utilized (the Fund does not engage in securities lending for its international investments).

On December 31, 2019 the Fund had minimal counterparty risk. Three strategies had a known counterparty risk (in 2018 this was also three (3)): the SG Capital Teton Equity Long/Short, the Vanguard Large Cap Equity ETF, and the Vanguard MBS ETF. This is 35.5 percent of the international equity portfolio (ANG 59.92 million of investments in equity) and 9.5 percent of the international fixed income portfolio (ANG 10.01 million of investments in fixed income). The counterparty risk in the two ETFs derive from the ETFs being co-mingled investment vehicles, this is where the Fund owns shares in the ETF but not the individual underlying securities. 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. Further SG Capital Teton Long/Short uses 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.



Financial instruments in the international portfolio measured at fair value

All amounts are in thousand Netherlands Antillean guilders

	Fair value measurements at December 31, 2019					
	Level 1		Level 2		Level 3	
	2019	2018	2019	2018	2019	2018
Financial assets						
Fixed Income	97,938	53,350	7,201	6,702	-	-
Equity	168,351	126,257	-	-	-	-
Total	266,290	179,607	7,201	6,702	-	-

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 conducts an ALM-study or continuity analysis every five (5) 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, 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 and adhere to a "code of conduct";
- The board members and the directorate must undergo a screening; and
- The board members are to meet certain criteria (profile) 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 suboptimal and that the services/products third party is contracted to provide are damaged or unusable. The risk for the Fund is that the third party does not comply with the instructions that were provided. To manage this risk, associated with operational activities, conditions have been detailed in the Service Level Agreement with Fund's service providers.

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 extensive 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. Further APS performs regular monitoring of the external asset managers performance and is taking corrective actions if necessary.
- 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 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 4.2% (2018: 7.5%) of the total assets.



3.8 PROPERTY AND EQUIPMENT

All amounts are in thousand Netherlands Antillean guilders

	Land	Leasehold improvements	Furnitures and fixtures	Computer hardware	Equipment	Total
COST AND VALUATIONS						
At January 1, 2018						
Cost	5,040	202	217	231	42	5,732
Accumulated depreciation		(106)	(105)	(165)	(34)	(410)
Net book amount	5,040	96	111	67	8	5,322
Year ended December 31, 2018						
Opening net book amount	5,040	96	111	67	8	5,322
Additions	-	4	32	44	-	80
Disposals	-	-	-	-	-	-
Depreciation charge		(25)	(25)	(37)	(6)	(93)
Closing net book amount	5,040	75	118	74	2	5,309
At December 31, 2018						
Cost	5,040	206	249	275	42	5,812
Accumulated depreciation	-	(131)	(130)	(201)	(40)	(503)
Net book amount	5,040	75	118	74	2	5,309
Year ended December 2019						
Opening net book amount	5,040	75	118	74	2	5,309
Additions	-	11	-	-	-	11
Depreciation charge		(24)	(25)	(37)	(2)	(88)
Closing net book amount	5,040	62	93	37		5,232
At December 31, 2019						
Cost	5,040	217	249	275	42	5,823
Accumulated depreciation	-	(155)	(155)	(239)	(42)	(591)
Net book amount	5,040	62	93	37		5,232

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

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
COST AND VALUATIONS		
At January 1, 2018		
Cost	933	933
Accumulated depreciation	(879)	(879)
Net book amount	54	54
Year ended December 31, 2018		
Opening net book amount	54	54
Additions	57	57
Disposals	(3)	(3)
Depreciation charge	(32)	(32)
Closing net book amount	75	75
At December 31, 2018		
Cost	987	987
Accumulated depreciation	(912)	(912)
Net book amount	75	75
Year ended December 2019		
Opening net book amount	75	75
Additions	32	32
Depreciation charge	(20)	(20)
Closing net book amount	88	88
At December 31, 2019		
Cost	1,019	1,019
Accumulated depreciation	(932)	(932)
Net book amount	88	88

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

3.10 INVESTMENT PROPERTIES

Investment properties

All amounts are in thousand Netherlands Antillean guilders

	2019	2018
Mary's Fancy & De Castro Development	7,693	7,256
Professional Office Development	9,450	9,418
Parking Lot Development	4,857	4,856
Total	22,000	21,530

The investment properties of the fund are measured at fair value in line with IAS 26. The fair value of the Fund's investment properties is based on the independent, appropriately qualified independent appraiser' valuation of the properties at the time of the purchase, including the directly attributable expenditures (transaction cost incurred). Fees paid to the valuers are based on fixed price contracts. The external appraisers are appointed by the Director, on behalf of the Board. The appraisers are selected based upon their knowledge, independence and reputation for comparable assignments. Re-valuations are performed once every three to five years and are performed consistently across all properties in the Fund's portfolio. The Fund also earns rental income from operating leases of its investment properties (see Note 3.27). Rental income is recognized on a straight-line basis over the term of the lease.

Mary's Fancy Plantation /De Castro

In 2014 the Fund signed two purchase agreements for the Mary's Fancy and De Castro properties located on the L.B. Scott road. The property consists mainly of land and the few structures thereon that are to be either renovated or demolished. The purchase price of the property was derived from the appraisal executed by external independent valuers. The total costs related to the purchase was ANG 4.4 million. Since the purchase the Fund invested in the infrastructural upgrade of the property. This implied the execution of works on the perimeter wall, the entrance to the property, a bridge located on the property, and the paving of a road on the property. In a subsequent phase the Fund will focus on the reconstruction of the monuments on the property (the Plantation House, the Boiling House, the Chimney, the Servants' Quarter and the Well) and some new construction. The cost incurred in the said improvement activities of the property amounts to the ANG 3.3 million and is included in the value of the Mary's Fancy Development.

As per the end of 2019, the property is not yet operational. The new construction is intended to optimize the future commercial use of the property by developing a high-end eco boutique hotel, art gallery / outdoor museum and botanical gardens.

The value of the property will be re-evaluated five years after purchase date or upon completion of the new construction, whichever is sooner. The appraisal of the property was planned in early 2020, however could not be executed due to COVID-19.

Professional Office Park

APS purchased the Professional Office Park property in December 2016 at ANG 9.36 million. The property is comprised of two buildings which APS is now operating for lease income. The purchase price of the property was derived from the appraisal executed by external independent valuers.

The property did not suffer significant damages due to the passing of hurricanes Irma and Maria in 2017. The Fund repaired the minor damages and since the purchase, has further maintained the building to ensure the property value remains (at least) at the initial purchase level. The Fund continues to generate rental income from the operations of this property. The value of the property has been re-evaluated/appraised in March 2020. In the period between December 31, 2019 and the appraisal date no material improvements nor deteriorations occurred on the property. The appraised value is in line with the value carried on balance per December 31, 2019, and the differences observed are not material. Further, the rental income over the years has not changed significantly. The Fund therefore estimates that the carrying value of the property per December 31, 2019 is in line with its fair value. The Fund will perform an updated appraisal per December 31, 2020 in which the effects of the current COVID-19 on the value will also be taken into account. Management expects that the negative effect of COVID-19 on the value of this property will not be significant.

Parking Lot

In September 2016 APS received this property (land and improvements) as part of a debt settlement agreement with the Government of Sint Maarten. The property is the parking lot adjacent to the Government Administration Building. The fair value was derived from the appraisal of an independent appraiser. The value of the land transferred to the Fund was ANG 4.5 million.

Since the transfer, the Fund commenced research with regards to the usage of the property. The cost associated with these studies along with the surveying of the land, soil tests and other preparatory works, have totaled to ANG 402K. This amount is included in the value of the property. As per the end of 2019, the property is not yet operational. Decisions on the further development of this property are pending. The value of the property will be re-evaluated five years after purchase date or upon completion of the new construction, whichever is sooner.



3.11 INVESTMENTS IN DEBT SECURITIES CORPORATE AND TIME DEPOSITS

Investments in debt securities corporate and time deposits

All amounts are in thousand Netherlands Antillean guilders

	2019	2018
Debt securities corporate	101,748	106,645
Time deposits	100,000	90,000
Less: current portion investments	(20,000)	(20,000)
Total	181,748	176,645

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 117 million (2018 ANG 120 million) and for the Time deposits ANG 100 million (2018 ANG 89 million). The fair value has been calculated by discounting future expected cash flows of these investments at a discount rate of 3.75%.

3.12 INVESTMENTS IN FIXED INCOME AND EQUITY

Investments in fixed income and equity

All amounts are in thousand Netherlands Antillean guilders

	2019	2018
Fixed Income	102,125	60,053
Equity	138,850	126,257
Total	240,975	186,309

The fair value of the investments in fixed income and equity is based on the statements of the custodian banks, except for one of the investment strategies in which the Fund uses the report of the investment manager (see 'Financial instruments in the international portfolio measured at fair value' level 2 in note 3.7 for the amount).

3.13 LOANS

Loans

All amounts are in thousand Netherlands Antillean guilders

	2019	2018
RF Adventure St. Maarten N.V. Finance	14,112	14,112
Maho Hotel Operations B.V. Finance	29,554	26,869
Paradise Bay Resort N.V. Finance	6,959	
Total	50,625	40,981

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

Rain Forest Adventures Sint Maarten:

The Fund's participation in the financing of the Rain Forest Adventures Sint Maarten (hereinafter: RFA) is 68% of the total amount financed. The interest rate per Facility Agreement is the then prevailing rate for one-year USD LIBOR plus a margin of 5.25%, with minimum fixed rate of 6.00%. 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 additional time needed for construction due to the passing of hurricane Irma in September 2017. The first interest payment was received in January 2019. However, the market recovery and the operational measures undertaken by RFA did not yield expected results in 2019. The default due to non-payment of interest occurred on March 31st, 2019 and continued through the December 31st, 2019. As per Facility Agreement APS accrued the default interest over the period the Loan was in default. At the same time, the APS started working with RFA, the Agent and other Lenders on restructuring the RFA loan to remediate the default. As per 31st December 2019 the discussions were ongoing. The final agreement on the restructuring has been reached in Q2 2020, resulting in no financial impact (loss) on the APS position.

Maho Hotel Operations:

The Maho financing consists of three facilities. Each facility has different floating interest rates (4.15% plus three-month USD Libor, 1.50% plus three-month USD Libor and 4.15% plus three-month USD Libor). The tenor for the first two (2) facilities is ten (10) years, however the principal will be repaid over twelve (12) years. The third facility commence as a short-term construction loan with a tenor of eighteen (18) months. There is a moratorium on the principal repayment during this period, after which the loan will be rolled over into a facility with a tenor of 8.5 years, the principal will be repaid over twelve (12) years.

Paradise Bay Resort:

The Fund is participating in the financing of the construction of Paradise Bay Resort. The annual interest rate 6.00%. The financing was structured as a short-term loan to be repaid within 120 days after completion of the construction. Full repayment was expected in Q4 2020, however due to the two-months cease of construction in period March-May 2020 related to COVID-19, the loan repayment might be delayed to Q1 2021.

3.14 OTHER NON-CURRENT ASSETS

Other non-current assets

All amounts are in thousand Netherlands Antillean guilders

	2019	2018
Current account reallocation of participants	5,371	12,729
Total	5,371	12,729

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 pensionfunds. The reallocation stems forth from execution of the "Onderlinge Regeling Boedelscheiding APNA" (hereinafter: Onderlinge Regeling) 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. Partial payment of ANG 49 million in October 2017 settled part of the "Current account reallocation of participants". The balance of ANG 12,7 million has been analyzed by Algemeen Pensioenfonds Curacao and the Fund. In the analysis it is concluded that some of the participants that were part of the balance of ANG 12,7 million were already reallocated to the specific pension funds based on the Onderlinge Regeling. These participants were in the settlement for the Boedelscheiding that was paid by APC. The analysis results in a correction of the balance from ANG 12,7 million to ANG 5,3 million. The amount of 5,3 million is divided in ANG 2,6 million that needs further analyses and ANG 2,7 million is to be paid by Algemeen Pensioenfonds Curacao based on the "Onderdelinge Regeling".

3.15 INVENTORIES

The book value of the inventories are as follows:

Inventories

All amounts are in thousand Netherlands Antillean guilders

	2019	2018
Welgelegen Development	22,430	9,214
Total	22,430	9,214

Inventories relate to the cost of investment properties under development that are intended for sale upon development completion. The net realizable value of the inventories equals or exceeds the book value.

3.16 ACCOUNTS RECEIVABLE

The book value of the accounts receivable are as follows:

Accounts receivable

All amounts are in thousand Netherlands Antillean guilders

	2019	2018
Pension contribution/DT/VUT receivables	31,396	51,289
Total	31,396	51,289

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 charged the official legal interest of 4.50% on the outstanding amounts that are overdue.

Other receivables

All amounts are in thousand Netherlands Antillean guilders

	2019	2018
Other receivables	-	158
Total	-	158

Other receivables were 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 settlement of the division of assets with APS. APS therefore included the amount as a part of the receivable from the Government of Sint Maarten. In June 2019 the Fund was paid ANG 20 million from GOVSXM, part of this payment was applied to this outstanding.

Accrued Interest receivables

All amounts are in thousand Netherlands Antillean guilders

	2019	2018
Accrued Interest receivables	7,083	3,771
Total	7,083	3,771

Accrued interest receivables comprise the amounts receivable for the debt securities corporate, loans and fixed income investments. The increase of the accrued interest receivable in 2019 is primarily due to interest accrual of the RFA loan and cumulative interest accrual of a multi-year time deposit for which the payment of the interest accrued is due upon maturity.

3.17 SHORT TERM PORTION OF FINANCIAL ASSETS

Short term portion of financial assets

All amounts are in thousand Netherlands Antillean guilders

	2019	2018
Time deposits	20,000	20,000
Total	20,000	20,000

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

	2019	2018
Prepaid expenses	144	-
Deposits	34	35
Other receivables	6	202
Total	185	237

Deposits are amounts received as rental deposits from tenants in the Professional Office Park investment property.

Other receivables relate to invoices for services paid in advance for the upcoming financial period such as medical insurance for the upcoming year which in some years are paid in advance in December.

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

	2019	2018
Local banks	134,735	117,244
International banks	32,515	40,187
Total	167,251	157,431

3.20 EQUITY

All amounts are in thousand Netherlands Antillean guilders

	Retained Earnings	Total
Year ended December 31, 2018	(16,874)	(16,874)
<i>Result</i>		
(Negative)/postive result current year	44,328	44,328
Year ended December 31, 2019	27,455	27,455

3.21 PENSION BENEFITS OBLIGATION

The pension benefits obligation is 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

	2019	2018
Pension obligation beginning of the year	696,399	653,579
Net increase in pension obligation	23,301	42,820
Pension obligation end of the year	719,700	696,399

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

- The participant's average salary in the years 2017 and 2018 (corrected for the AOV-franchise) is being used for the calculation of the present value of the pension obligations;
- Actuarial return of 3.75%;
- Mortality tables: the tables have been updated for men to the table 'GBM 2005-2010' and for women the table 'GBV 2005-2010' 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; and
- The age difference between men and women is set at three (3) years;

Marriage frequencies:

- The assumption that all (100%) active participants are married before their pensionable age date and will stay married until this date has changed. For men the percentage has changed to 90% and for women 75%.
- 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 1st of the following month or the 1st 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 ACCOUNTS PAYABLE

Accounts payable

All amounts are in thousand Netherlands Antillean guilders

	2019	2018
Accounts payable	274	415
Total	274	415

3.23 OTHER PAYABLES

Other payables

All amounts are in thousand Netherlands Antillean guilders

	2019	2018
Wage tax payable	176	111
AOV/AWW payable	18	21
AVBZ payable	31	31
ZV / OV payable	5	-
Premium SZV payable	161	158
Withholdings	25	12
Total	417	334

3.24 ACCRUED LIABILITIES

Accrued liabilities

All amounts are in thousand Netherlands Antillean guilders

	2019	2018
Deposit	82	75
Accrual Audit Fee	63	41
Accrual Vacation Days	39	40
Accrual Vacation Pay	52	
Accrual consulting expenses	-	10
Other Accruals	(15)	
Premiums Received in Advance	3,871	3,471
Premiums Received in Error	2,449	1,770
Accrued Liabilities	6,541	5,406

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 previous years, the annual premium analysis shows that the Fund had received an excess of premiums as at 31 December 2019. This excess has been classified into two (2) 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 and
- 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

	2019	2018
Regular contributions		
Employees' contributions	9,417	9,320
Employers' contributions	30,235	29,354
Other contributions		
Contribution premium BB	68	468
Contribution premium WW	18	18
Premium restitution	(231)	(52)
Total	39,507	39,107
Contribution previous years	428	1,238
Total	428	1,238

The Fund is currently invoicing premiums for registered employees from the employers that are affiliated with the Fund. The total premium for current year contributions is ANG 39.5 million.

The Fund is invoicing total pension premium contributions at 25% as stated in the PLvO.

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

Total contribution: 25% * gross salary * Part time percentage³

Employee: 8% *(gross salary – franchise) * Part time percentage⁴

³ Pensioenlandsverordening overheidsdienaren (AB 2016 2016, no. 16) Art. 58

⁴ Pensioenlandsverordening overheidsdienaren (AB 2016 2016, no. 16) Art. 62

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.

3.27 INVESTMENT INCOME

Investment income

All amounts are in thousand Netherlands Antillean guilders

	2019	2018
Investment properties income	583	631
Debt securities income	5,940	7,123
Income investments in fixed income and equity	50,695	(17,811)
Income loans	3,314	560
Time deposits income	3,240	2,492
Total	63,772	(7,005)

Investment properties income

The investment properties income is primarily the lease income from the tenants of the Professional Office Park.

Debt securities income

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

Income investments in fixed income and equity

Income investments in fixed income and equity are realized and unrealized gains/losses from foreign bonds and stock exchange listed shares, and related interest revenue and dividends received. The decrease in the Income investments in fixed income and equity can be attributed to the swift recovery of the markets and APS portfolio in 2019 after severe decline of the international markets in the fourth quarter of 2018. Gains or losses arising from changes in the fair value is presented in the income statement in the period in which they arise.

Income loans / Time deposits income

The income loans / Time deposits income is the accrued interest as per the contractual obligations.

3.28 OTHER INCOME

Other income

All amounts are in thousand Netherlands Antillean guilders

	2019	2018
Late payments penalty contributions	842	1,603
Total	842	1,603

The amount of the legal interest (4.50%) charged to the affiliated employers for the late payments of contributions or other outstanding amounts.

3.29 PENSION BENEFITS PAYMENTS

Pension benefits payments

All amounts are in thousand Netherlands Antillean guilders

	2019	2018
Retirement pensions	18,830	18,016
Widow pensions	1,444	1,310
Orphan pensions	132	124
Disability pensions	358	458
Smartegeld	79	34
Pension lumpsum	69	54
Other	(142)	6
Total	20,771	20,001

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

3.30 INVESTMENT EXPENSES

Investment expenses

All amounts are in thousand Netherlands Antillean guilders

	2019	2018
Investment management expenses	1,598	-
Investment properties expenses	528	429
Adjustment depreciation investment property prior years	-	(532)
Loan expenses	-	27
Expenses investments in fixed income and equity	3,179	4,199
Total	5,305	4,123

These are costs of the investments of the Fund.

Investment management expenses

Investment management expenses represent the portion of the operating expenses of the Fund allocated to the management of the investment portfolio/investment activities. Investment management expenses comprise of the full cost of the investment services consultancy and Investment committee expenses, and forty percent (40%) of the personnel, office, travel and Board expenses.

Investment properties expenses

The increased expenses are mainly result of the costs related to the Professional Office Park building.

Adjustment depreciation investment property prior years

During the process of determining the impact of IFRS 9 and IFRS 15 on the financial statements of the Fund it was concluded that IAS 26 with respect to the valuation of plan assets needs to be applied more stringently for the recorded investment properties. In 2014 and 2016 the Fund acquired investment properties with the purpose to earn rental income or for capital appreciation or both. The Investment properties have been measured initially at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses, if any. The valuation principle for planned assets under IAS 26 is fair value and the acquired assets in 2014 and 2016 should therefore have been recorded against fair value from date of purchase. The difference between cost less accumulated depreciation and fair value as per January 1, 2018 has therefore been recorded in the year 2018 under Adjustment depreciation investment property previous years.

Loan expenses

The expenses are mainly for professional advice prior to the decision being taken on whether the Fund may provide financing to a third party. No such costs have been incurred in 2019.

Expenses investments in fixed income and equity

All amounts are in thousand Netherlands Antillean guilders

	2019	2018
Investment manager commission	3,337	3,989
Other investment (income) / expenses	(158)	209
Total	3,179	4,199

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, some fund managers receive a performance fee. The commission fee ranges between 1.1% and 1.5% per year.

Other investment (income)/expenses for fixed income and equity

This is the amount expensed for taxes withheld by the United States of America Internal Revenue Service (IRS) related to dividend income from equity positions held in the international portfolio.

3.31 OPERATING EXPENSES**Operating expenses**

All amounts are in thousand Netherlands Antillean guilders

	2019	2018
Direct personnel expenses	2,213	2,079
Indirect personnel expenses	138	171
Office expenses	124	121
Housing expenses	274	287
Travel & Publicity expenses	309	212
Depreciation expenses	108	141
Automation expenses	321	287
Professional services expenses	1,377	916
Project team expenses	208	222
Board, Investment & Audit committee expenses	411	774
Other general expenses	55	73
Allocation to investment management expenses	(1,598)	-
Total	3,939	5,285

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 2020 pension contribution will amount to ANG 360,000. This cost is part of the direct personnel expenses.

Pension contribution

All amounts are in thousand Netherlands Antillean guilders

	2019	2018
Pension contribution	357	357
Total	357	357

Lease expenses

The Fund rents three (3) office premises. The rental agreements are for a period of two (2) years, with an option to renew. This is the main component of housing expenses.

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.

Lease expense

All amounts are in thousand Netherlands Antillean guilders

	2019	2018
Office rent	151	193
Equipment rental	8	9
Total	159	202

The Fund has no other lease agreements.

Allocation to investment management expenses

Portion of operating expenses incurred for the purpose of the analysis, monitoring and management of the Fund's investment portfolio/investment activities is allocated to the investment management expenses (see note 3.30). Investment management expenses comprise of the full cost of the investment services consultancy and Investment committee expenses, and forty percent (40%) of the personnel, office, travel and Board expenses.

3.32 FINANCIAL INCOME/ (EXPENSES)

Financial (expenses) / income

All amounts are in thousand Netherlands Antillean guilders

	2019	2018
Bank charges	(80)	(100)
Exchange differences	(32)	(232)
Payment differences		90
Interest income (expenses)	586	632
Total	474	390

The Fund has two (2) interest bearing current accounts. The cash position on these accounts has increased resulting in an increase of bank interest for the Fund.

3.33 OTHER FINANCIAL INCOME/ EXPENSES

Other financial income / (expenses)

All amounts are in thousand Netherlands Antillean guilders

	2019	2018
Opening balance adjustment	(22)	-
Difference APC and APS	(7,358)	-
Total	(7,380)	-

The current reallocation of ANG 12,7 million has been analyzed by Algemeen Pensioenfonds Curacao and the Fund. In the analysis it is concluded that some of the participants that were part of the balance of ANG 12,7 million were already reallocated to the specific pension funds based on the Onderlinge Regeling. These participants were in the settlement for the Boedelscheiding that was paid by APC. The analysis resulted in a correction of ANG 7,4 million (ANG 12,7 million to ANG 5,3 million).

3.34 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 gain of ANG 44 million for the year ended 2019, 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 coverage ratio of 105%. The current coverage ratio is 103.81% which is lower than the target. Nonetheless, the current coverage ratio is above the 100% and following the pension reform in 2020, management believes that APS funding ratio will reach its target enabling APS to comfortably meet its obligations to the beneficiaries of the Fund in future.

To further 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 efficiently implement the pension reform.

3.35 COMMITMENTS

(a) Capital commitments

At the end of the reporting period the Fund had the following capital commitments:

All amounts are in thousand Netherlands Antillean guilders

	Dec 31, 2019	Dec 31, 2018
Development Projects	7	16
Local investments	36	46
Total	43	62

Development Projects

The Fund has a number of real estate development projects on hand. The projects, which are overseen by the Projects department, have been described in detail in section 3.10 of the statement.

Local investments

The Fund has committed to the financing of various local investments.

(b) Other commitments

All amounts are in thousand Netherlands Antillean guilders

	Dec 31, 2019	Dec 31, 2018
No later than 1 year	1,495	1,038
Total	1,495	1,038

The Fund has a contract for the pension program that renews annually (the initial term of the agreement was for five (5) years).

The Fund rents three (3) office premises from the same landlord. The rental agreements were entered for a period of two (2) years, with an option to renew. Per end of 2019 remaining

duration of these contracts is less than one year. The Fund is in the process of building its own office, and therefore has short term contracts for office rental.

The Fund also leases various services and software under cancellable agreements. The Fund is required to give a two (2) to five (5)-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.

3.36 RELATED PARTIES

The Board of the Fund consists of a maximum of five (5) members that are appointed by the Governor of Sint Maarten via a decree. The compensation of the Board 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 (2) directors ('directeur en adjunct-directeur'). In 2018 the position for adjunct-director was vacant, however the position was filled in 2019. The compensation paid or payable to the Board and key management is shown in the following table:

All amounts are in thousand Netherlands Antillean guilders

	2019	2018
Board compensation	156	203
Investment Committee's compensation	53	51
Audit Committee's compensation	31	32
Salaries key management		
Short term benefits key management	334	173
Pension contributions key management	53	28
Other long term benefits key management	17	8
Total	645	498

3.37 INVESTMENTS HELD AT THE BEGINNING AND END OF THE PERIOD

All amounts are in thousand Netherlands Antillean guilders

	Value at December 31, 2018	Increase through investments	Decrease through disinvestments / amortization / sales	Change in market value/accumulated accrued return	Value at December 31, 2019
Investment properties					
Land & Buildings	18,244	-	-	-	18,244
Investment property under construction	3,285	470	-	-	3,756
Sub-total	21,530	470	-	-	22,000
Investments in debt securities corporate and time deposits					
Debt security corporate	106,645	-	(4,897)	-	101,748
Time deposits	90,000	30,000	(20,000)	-	100,000
Sub-total	196,645	30,000	(24,897)	-	201,748
Loans					
Loans	40,981	9,644	-	-	50,625
Sub-total	40,981	9,644	-	-	50,625
Investments in fixed income and equity					
Fixed income	71,523	36,655	(16,333)	13,295	105,139
Equity	154,974	152,992	(166,978)	27,364	168,351
Sub-total	226,497	189,647	(183,311)	40,659	273,491
TOTALS	485,652	229,761	(208,208)	40,659	547,863

3.38 EVENTS AFTER THE REPORTING DATE

(a) Pension reform

The pension reform has been presented in several meetings to Parliament. In June 2020 Parliament approved the new proposed legislation concerning the pension reform with effective date July 1, 2020.

(b) COVID-19 impact

The Fund diligently follows the local and international media (especially the "Rijksinstituut voor Volksgezondheid en Milieu" in the Netherlands) for the most recent developments relating to Covid-19.

The Fund has a Crisis Management Team in place which is tasked with the above and the team is also responsible for executing APS' Business Continuity Plan.

The scope of the Business Continuity Plan focuses on formulating strategies and actions for the protection and recovery of critical services, business processes and assets in those cases where a slow recovery after an emergency would result in major damage (or failure) of the organization.

Another major role of the Crisis Management Team is to actively inform the personnel of the various measures taken to reduce the spread of the virus and how the social distancing is implemented.

To date the Fund has seen no impact on the payment patterns of the employers, however the Fund intends to closely monitor this. The Fund is also monitoring the impact on the investments. Funds' international portfolio values were negatively affected during the peak of COVID-19 crisis (February and March 2020), however, as per June 2020 have almost fully recovered to pre-COVID-19 levels and are expected to continue with the positive trend. Deferral of earnings is expected in the local investment portfolio in the first half of 2020, however recouping the deferred earnings is expected in last quarter of 2020 and in 2021. Short term effects of COVID-19 on Fund's investments were not material. It is currently too early to assess what, if any, long lasting effects due to COVID-19 will be.



4. INDEPENDENT AUDITOR'S REPORT

A handwritten signature in blue ink, consisting of several loops and a long horizontal stroke extending to the right.



Grant Thornton

An instinct for growth™

Independent Auditor's Report

To the Board of Directors and Management of
Algemeen Pensioenfonds Sint Maarten
St. Maarten

Reference: HB/PP/67.377.0/45770

Opinion on the financial statements 2019

Our qualified opinion

In our opinion, except for the possible effects of the matters described in the paragraph the 'Basis for our qualified opinion' section, the financial statements give a true and fair view of the financial position of Algemeen Pensioenfonds Sint Maarten (the "fund") as at 31 December 2019, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

What we have audited

We have audited the financial statements 2019, as included on pages 19 to 69, of Algemeen Pensioenfonds Sint Maarten, based in Sint Maarten.

The entity's financial statements comprise:

1. the statement of financial position as at 31 December 2019;
2. the statement of comprehensive income for the year then ended;
3. the statement of changes in equity for the year then ended;
4. the statement of cash flows for the year then ended; and
5. the notes to the financial statements, which include a summary of significant accounting policies.

Basis for our qualified opinion

For the current financial year, we have observed the following finding:

1. An amount of ANG 5,371,000 is included in the other non-current assets with respect to the reallocation of participants between the Algemeen Pensioenfonds Sint Maarten, Algemeen Pensioenfonds Curacao and Pensioenfonds Caribisch Nederland. No final agreement has been reached yet about this receivable with Algemeen Pensioenfonds Curacao. The possible effect of differences between the amount recognized and the final agreement on the re-allocation of participants on the other non-current assets and related accounts is unknown. We were therefore unable to obtain sufficient and reliable audit evidence with respect to the existence and consequently valuation of this receivable.

2. The accounts receivable comprise an amount of ANG 23,7 mln which are currently overdue and unpaid. For the settlement of the overdue and unpaid balance amounting to ANG 23,7 mln no agreement has been reached yet. Therefore, in absence of further information, we have not been able to obtain sufficient and reliable audit evidence with respect to the valuation of the related receivables. The possible effect on the accounts receivable and the related accounts is unknown.

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report.

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

Independence

We are independent of the entity in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code). Furthermore we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA, Dutch Code of Ethics).

Emphasis of matter concerning the funding ratio

We draw attention to the paragraph 'Going concern basis of accounting' in Note 3.34 to these financial statements, in which it is noted that the current funding ratio is 103,81 which is lower than the target of 105%. This indicates that the assets of Algemeen Pensioenfonds Sint Maarten on balance sheet date are insufficient to cover the pension obligations. Management is of the opinion that the Fund will be able to meet its obligations to the beneficiaries in the future due to pension reform and financing thereof. Our opinion is not modified in respect of this matter.

Description of responsibilities regarding the financial statements

Responsibilities of Management and Board of Directors for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with in accordance with Book 2 of the Civil Code applicable for St. Maarten and International Financial Reporting Standards. Furthermore, management is responsible for such internal control as management determines necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted

in accordance with ISAs will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. Materiality influences the nature, timing and extent of our audit procedures and the evaluation of the effect of detected misstatements on our opinion.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern;
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures; and evaluate whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

St. Maarten, 25 juni 2020
Grant Thornton St. Maarten



Herbert Beldman AA RA CIA

Actuariële verklaring

Opdracht

Door het Algemeen Pensioenfonds Sint Maarten is aan Towers Watson Netherlands B.V. de opdracht verleend tot het afgeven van een actuariële verklaring over het boekjaar 2019.

Onafhankelijkheid

Als waarmede actuaire ben ik onafhankelijk van Algemeen Pensioenfonds Sint Maarten. Ik verricht geen andere werkzaamheden voor het pensioenfonds.

Gegevens

De gegevens waarop mijn onderzoek is gebaseerd, zijn verstrekt door en tot stand gekomen onder de verantwoordelijkheid van het bestuur van het pensioenfonds.

Voor de toetsing van de voorziening pensioenverplichtingen en voor de beoordeling van de vermogenspositie heb ik mij gebaseerd op de financiële gegevens die ten grondslag liggen aan de jaarrekening.

Ik heb voorts gebruikgemaakt van de door de accountant in het kader van de jaarrekeningcontrole onderzochte basisgegevens. De accountant van het pensioenfonds heeft mij geïnformeerd over zijn bevindingen ten aanzien van de betrouwbaarheid (materiële juistheid en volledigheid) van de basisgegevens en de overige uitgangspunten die voor mijn beoordeling van belang zijn.

Werkzaamheden

Als onderdeel van de werkzaamheden voor de opdracht heb ik onder meer onderzocht of:

- De voorziening pensioenverplichtingen toereikend is vastgesteld;
- De ontvangen premie toereikend is.

Voorts heb ik mij een oordeel gevormd over de vermogenspositie van het pensioenfonds. Daarbij heb ik mij gebaseerd op de tot en met balansdatum aangegane verplichtingen en de op dat moment aanwezige middelen en is mede het financieel beleid van het pensioenfonds in aanmerking genomen.

Mijn onderzoek heb ik zodanig uitgevoerd, dat een redelijke mate van zekerheid wordt verkregen dat de resultaten geen onjuistheden van materieel belang bevatten.

De beschreven werkzaamheden en de uitvoering daarvan zijn in overeenstemming met de binnen het Koninklijk Actuarieel Genootschap geldende normen en gebruiken en vormen naar mijn mening een deugdelijke grondslag voor mijn oordeel.

Oordeel

De voorziening pensioenverplichtingen is, overeenkomstig de beschreven berekeningsregels en uitgangspunten, als geheel gezien, toereikend vastgesteld.

Algemeen Pensioenfonds Sint Maarten

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De ontvangen premie is voldoende om de toegekende aanspraken in 2019 te financieren. De ontvangen premie is tevens voldoende als rekening wordt gehouden met de solvabiliteitsopslag van 15%.

Mijn oordeel over de vermogenspositie van APS is gebaseerd op de tot en met balansdatum aangegane verplichtingen en de op dat moment aanwezige middelen.

Wij hebben geconstateerd dat het eigen vermogen van het pensioenfonds positief is. Er is sprake van dekking door waarden.

De vermogenspositie is naar mijn mening niet voldoende, omdat de dekkingsgraad lager is dan 105%.

In het kader van dit oordeel wijs ik op de ontwikkelingen na balansdatum als gevolg van de Coronacrisis, zoals die door het pensioenfonds in het jaarverslag zijn toegelicht.

Met vriendelijke groet,
Towers Watson Netherlands B.V.



drs. R.T. Schilder AAG

About Willis Towers Watson

Willis Towers Watson (NASDAQ: WLTW) is a leading global advisory, broking and solutions company that helps clients around the world turn risk into a path for growth. With roots dating to 1828, Willis Towers Watson has 40,000 employees serving more than 140 countries. We design and deliver solutions that manage risk, optimize benefits, cultivate talent, and expand the power of capital to protect and strengthen institutions and individuals. Our unique perspective allows us to see the critical intersections between talent, assets and ideas – the dynamic formula that drives business performance. Together, we unlock potential. Learn more at willistowerswatson.com.

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A handwritten signature in blue ink, consisting of several loops and a long horizontal stroke, is located in the bottom right corner of the page.