HEALTH WEALTH CAREER

PUBLIC SERVICE PENSIONS PLAN

REPORT ON THE ACTUARIAL VALUATION FOR FUNDING PURPOSES AS AT JANUARY 1, 2017

18 APRIL 2018

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Note to reader regarding actuarial valuations:

This valuation report may not be relied upon for any purpose other than those explicitly noted in the Introduction, nor may it be relied upon by any party other than the parties noted in the Introduction. Mercer is not responsible for the consequences of any other use. A valuation report is a snapshot of a plan's estimated financial condition at a particular point in time; it does not predict a pension plan's future financial condition or its ability to pay benefits in the future. If maintained indefinitely, a plan's total cost will depend on a number of factors, including the amount of benefits the plan pays, the number of people paid benefits, the amount of plan expenses, and the amount earned on any assets invested to pay the benefits. These amounts and other variables are uncertain and unknowable at the valuation date. The content of the report may not be modified, incorporated into or used in other material, sold or otherwise provided, in whole or in part, to any other person or entity, without Mercer's permission. All parts of this report, including any documents incorporated by reference, are integral to understanding and explaining its contents; no part may be taken out of context, used, or relied upon without reference to the report as a whole.

To prepare the results in this report, actuarial assumptions are used to model a single scenario from a range of possibilities for each valuation basis. The results based on that single scenario are included in this report. However, the future is uncertain and the plan's actual experience will differ from those assumptions; these differences may be significant or material. Different assumptions or scenarios within the range of possibilities may also be reasonable, and results based on those assumptions would be different. Furthermore, actuarial assumptions may be changed from one valuation to the next because of changes in regulatory and professional requirements, developments in case law, plan experience, changes in expectations about the future, and other factors.

The valuation results shown in this report also illustrate the sensitivity to one of the key actuarial assumptions, the discount rate. We note that the results presented herein rely on many assumptions, all of which are subject to uncertainty, with a broad range of possible outcomes, and the results are sensitive to all the assumptions used in the valuation.

Should the plan be wound up, the going concern funded status becomes irrelevant. This report does not include an estimate of the financial position of the plan assuming it was wound up on the valuation date. The financial position of the plan on a wind-up basis could differ very significantly from the going-concern funded status disclosed in this report. Emerging experience will affect the wind-up financial position of the plan assuming it is wound up in the future. In fact, even if the plan were wound up on the valuation date, the financial position would continue to fluctuate until the benefits are fully settled.

Decisions about benefit changes, granting new benefits, investment policy, funding policy, benefit security, and/or benefit-related issues should not be made solely on the basis of this valuation, but only after careful consideration of alternative economic, financial, demographic, and societal factors, including financial scenarios that assume future sustained investment losses.

Funding calculations reflect our understanding of the requirements of the Public Service Pensions Law, (2013 Revision) and related regulations that are effective as of the valuation date. Mercer is not a law firm, and the analysis presented in this report is not intended to be a legal opinion. You should consider securing the advice of legal counsel with respect to any legal matters related to this report.

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1 SUMMARY OF RESULTS

(CI 000'S)	01.01.2017	01.01.2017	01.01.2014
Ultimate discount rate	***7.25%***	***6.25%***	***8%***
Financial Status			
Market value of DB assets	$277,646	$277,646	$260,591
Market value of DC assets	$272,918	$272,918	$173,113
Market value of total plan assets	$550,564	$550,564	$433,704
DB Liabilities	$464,350	$529,743	$426,880
DC Account Balances	$272,918	$272,918	$173,113
Total DB and DC Liabilities	$737,268	$802,661	$599,993
DB Funding deficiency (past service liability)	($186,704)	($252,097)	($166,289)
Funded Ratio (DB Only)	60%	52%	61%
Funded Ratio (DB and DC together)	75%	69%	72%
Funding Requirements in the Year Following the Valuation			
Employees' required DB contributions	$2,649	$2,649	$2,910
Estimated employer's DB normal cost	$3,783	$5,091	$4,104
Expense allowance	$900	$900	$900
Employer normal cost inclusive of expense allowance	$4,683	$5,991	$5,004
Funding of deficiency over 20 years	$17,463	$21,913	$16,233
Total employer DB contribution	$22,146	$27,904	$21,237
Total DB contributions (employee + employer)	$24,795	$30,553	$24,147
Employer DB contribution (% of DB pay)	50.4%	63.5%	43.7%
Employee contribution (% of DB pay)	6.0%	6.0%	6.0%
Total DC (employee + employer)	$25,633	$25,633	$23,186
Employer DC contribution (% of DC pay)	6.4%	6.4%	6.4%
Employee DC cost (% of DC pay)	6.0%	6.0%	6.0%

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EXECUTIVE SUMMARY

At the request of the Public Service Pensions Board we have conducted an actuarial valuation of the Public Service Pensions Plan (the "Plan"), as at January 1, 2017, in accordance with the Public Service Pensions Law (2013 Revision) of the Cayman Islands. We are pleased to present the results of the valuation.

The purposes of the valuation are to:

- To determine the funded status of the Plan as at January 1, 2017 on a going-concern basis.
- To measure the ability of the fund to meet its liabilities for the following 40 years based on current contribution rates, in accordance with Section 12 of the Public Service Pensions Law (2013 Revision), hereinafter referred to as the 2013 Law.
- If not so capable, determine the contribution rates that would be required to reinstate the capability.

Our valuation was based on:

- The plan provisions described in Appendix E;
- The membership data summarized in Appendix D;
- Asset information described in Appendix B;
- The methods and assumptions described in Appendix C.

As with any valuation that makes long-term assumptions about future demographic and economic conditions, there is considerable uncertainty. The actual financial position of the Plan will differ, perhaps considerably, from the projections shown in this report as actual experience emerges differently from our assumptions. See page i of this report for further details and for limitations on the use of this report.

The key results of our valuation are as follows:

- The Plan is in a deficit position as of January 1, 2017. Based on an ultimate discount rate of 7.25%[1], the Plan has a deficit of $187 million at January 1, 2017 and the funded ratio of the DB Part of the Plan is 60%. Using an ultimate discount rate 6.25%[2], the Plan has a deficit of $252 million at January 1, 2017 and the funded ratio of the DB Part of the Plan is 53%.

- Based on an ultimate discount rate of 7.25%, the funded ratio of the Plan as a whole has decreased by 1 percent compared to the position at the last valuation performed as of January 1, 2014. Since the last valuation, the gains from the contributions made by the participating employers, was more than offset by lower than expected asset returns and a decrease in the valuation discount rate.

- The Board has established an objective of funding the deficit over a 20 year period, and decided to fund the Plan on the basis of the valuation results prepared based on an ultimate discount rate of 7.25%. On this basis, the employee and employer funding requirements of the Plan are as follows:

	FUNDING REQUIREMENTS
Defined Contribution (DC) Part of the Plan	
Employee contributions (% of pay)	6.0%
Employer required contributions (% of DC payroll)	6.4%
Defined Benefit (DB) Part of the Plan	
Employee contributions (% of pay)	6.0%
Employer normal cost inclusive of expense allowance of $900) (% of DB payroll)	10.7%
Employer annual contributions to fund past service deficit	$17,463,000

[1] The discount rate has been phased in from the 8% discount rate used for the previous valuation over a 3 year period.

[2] The discount rate has been phased in from 7% over a 3 year period.

The estimated employer funding requirements for the three years following the valuation date are as below. This assumes pensionable earnings increase by 3% over the same period.

($000)	2017	2018	2019
Employer DB Contribution			
Normal cost	$4,683	$4,823	$4,968
Amount to fund past service liability	$17,463	$17,463	$17,463
Total employer DB contributions	$22,146	$22,286	$22,431
Employer DC contributions	$13,230	$13,627	$14,036
Total employer contributions (DB + DC)	$35,376	$35,913	$36,467

A breakdown of the funding requirements by participating employer is provided in Appendix A.

- If the participating employers fund on the above basis, and if actual fund returns are assumed to be 8% in 2017, 7.625% in 2018 and 7.25% thereafter, the requirements of Section 12 of the Public Service Pensions Law will be met. See Section 6 for further details.
- Prior to the last valuation, the contributions made to the Plan have been very low relative to the cost of benefits that have been accruing under the Plan. As a result, the Plan is in a significant deficit position. However, following the January 1, 2014 valuation, the funding level has increased significantly to be in line with the recommendations of the last valuation report. A continued commitment to fund the Plan in accordance with the actuarial recommendations is important to ensuring the long term sustainability of the Plan.
- It is critical for the Plan to continue to be funded adequately (ideally in accordance with the recommendation contained in this report). A failure to adequately fund the Plan will result in a decline in the Fund asset base, which will in turn diminish the ability of investment returns to contribute towards the funding of the promised benefits.

The remainder of this report provides further details on the results of the valuation.

3 INTRODUCTION

TO THE PUBLIC SERVICE PENSIONS BOARD (THE "BOARD")

At the request of the Board, we have conducted an actuarial valuation of the Public Service Pensions Plan (the "Plan"), as at January 1, 2017, in accordance with the Public Service Pensions Law (2013 Revision) of the Cayman Islands. We are pleased to present the results of the valuation.

PURPOSE

The purposes of this valuation are:

- To determine the funded status of the Plan as at January 1, 2017 on a going-concern basis.
- To measure ability of the fund to meet its liabilities for the following 40 years based on current contribution rates, in accordance with Section 12 of the Public Service Pensions Law (2013 Revision), hereinafter referred to as the 2013 Law.
- If not so capable, determine the contribution rates that would be required to reinstate the capability.

The information contained in this report was prepared for the internal use of the Board and the participating employers of the Plan for determining the funding requirements of the Plan. This report is not intended or suitable for any other purpose.

All amounts shown in this report are in Cayman Dollars.

TERMS OF ENGAGEMENT

In accordance with our terms of engagement with the Board, our actuarial valuation of the Plan is based on the following material terms:

- It has been prepared in accordance with the Public Service Pensions Law (2013 Revision)
- It has been prepared assuming that the Plan will continue indefinitely
- It has been prepared using best estimate assumptions proposed by Mercer and approved by the Board, adjusted as follows based on instructions from the Board:
  - we have not reflected a margins for adverse deviations; and

– we reflected an additional allowance in our discount rate for active management investment outperformance of 1% per annum, which is consistent with the historic returns earned by the Plan over the past 10 years

Results have been presented using a discount rate of 8% in 2017, 7.625% in 2018 and an ultimate rate of 7.25% per year thereafter (which reflects the allowance for future active management outperformance). In addition we have shown the sensitivity of the results using 7% in 2017, 6.625% in 2018 and an ultimate rate of 6.25% per year thereafter (i.e. excluding the allowance for future active management outperformance).

- The employer funding requirements have been determined by reflecting the Board's decision to amortize past service actuarial deficiencies that arise over 20 years.
- The Board's decision to update the assumptions used to determine the commutation factor table, PV2 for the value of participant's immediate pension has been reflected in this valuation.

EVENTS SINCE THE LAST VALUATION AT JANUARY 1, 2014

Since the last valuation, the funding level has increased significantly and is in line with the recommendations of the January 1, 2014 valuation report.

In June 2016, as part of a "true-up" of the government's contributions to the Plan and the Parliamentary Pensions Plan to be in accordance with our January 1, 2014 valuation, an amount of $2.217 million was reallocated from the Parliamentary Pensions Plan to this Plan. As instructed, for the purpose of this valuation, we have reflected this amount in the assets allocated to the Public Service Pensions Plan.

The new normal cost contribution rate for the DB portion of the Plan, outlined in the January 1, 2014 valuation report took effect July 1, 2016, as outlined in the Public Service Pensions (Contribution Rates) Regulations, 2016.

Pension Plan

This valuation reflects the provisions of the Plan as at January 1, 2017.

The Public Service Pensions Plan (2013 Revision) was amended in 2016 to increase the normal retirement age from age 60 to age 65. However, existing members of the DB Part of the Plan continue to be able to retire with an unreduced pension from as early as age 55. We have given consideration to the fact that some members may choose to delay their retirement, given the prior practice of many members waiting until age 60 to retire. See Appendix C for further details.

We also understand that the Plan has been amended effective December 31, 2016 to transfer two (2) active magistrates from the Defined Contribution portion of the Plan to the Judicial Pension Plan (JPP). The transfer of these individuals has no impact on the DB component of the Plan. We have adjusted the DC account balance shown herein and in the membership summary in Appendix D to reflect the transfer of these members.

The total accumulated balance that is being transfer is $32,000 as at December 31, 2016. This amount as well as any contributions remitted to the Plan on the magistrates behalf since the effective date of this valuation continues to grow with investment return until transferred to the JPP.

Apart from the above, we are not aware of any pending definitive or virtually definitive amendments coming into effect during the period covered by this report. The Plan provisions are summarized in Appendix E.

Assumptions

We have used the same valuation assumptions and methods as were used for the previous valuation, except for the following:

	CURRENT VALUATION	PREVIOUS VALUATION
Discount rate:	7.00% for 2017, 6.625% for 2018, 6.25% thereafter / 8.00% for 2017, 7.625% for 2018, 7.25% thereafter	7.00%/8.00%
Administration expenses for the DB Part of the Plan:	$900,000, increasing by 2.0% per year	$900,000, increasing by 2.5% per year
Inflation/ post-retirement increases:	2.0%	2.5%
Pensionable earnings increases:	3.0%	3.50%
Retirement rates:	Age-related table	Age 57 and 10 years of service (Non-Gazetted police officers after 21 years of service)
Current mortality rates:	100% of the rates of the RP-2014 Mortality Table scaled back to 2006 using Scale MP-2016	100% of the rates of the 1994 Uninsured Pensioner Mortality Table projected to 2014 using Scale BB
Mortality improvement rates	Scale MP-2016	Scale BB

A summary of the valuation methods and assumptions is provided in Appendix C.

SUBSEQUENT EVENTS

After checking with representatives of the Board, to the best of our knowledge, there have been no events subsequent to the valuation date which, in our opinion, would have a material impact on the results of the valuation. Our valuation reflects the financial position of the Plan as of this valuation date and does not take into account any experience after the valuation date, except as noted herein.

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VALUATION RESULTS

FINANCIAL STATUS

This valuation compares the relationship between the value of Plan assets and the present value of expected future benefit cash flows in respect of accrued service.

The results of the current valuation compared with those from the previous valuation, are summarized below:

($000)	01.01.2017	01.01.2017	01.01.2014
Ultimate discount rate	***7.25%***	***6.25%***	***8%***
Assets			
Market value of assets – DB	$277,646	$277,646	$260,591
Market value of assets – DC	$272,918	$272,918	$173,113
Total Market Value of Plan Assets	$550,564	$550,564	$433,704
Funding target			
• DB Active members	$176,830	$209,455	$187,930
• Pensioners and survivors	$268,394	$296,911	$219,671
• DB Deferred pensioners	$19,126	$23,377	$19,279
Total DB Liabilities	$464,350	$529,743	$426,880
DC Account Balances	$272,918	$272,918	$173,113
Total liability (DB + DC)	$737,268	$802,661	$599,993
Funding surplus (deficiency)	($186,704)	($252,097)	($166,289)
Total Funding Ratio (DB + DC)	75%	69%	72%
DB Funding Ratio	60%	52%	61%

The funding target is based on best-estimate assumptions and does not include a provision for adverse deviations. The notional split of the funded position by participating employer is shown in Appendix A.

RECONCILIATION OF FINANCIAL STATUS ($000)

The reconciliation of the funded position of the Plan from the prior valuation as at January 1, 2014 to January 1, 2017 is shown below.

Funding surplus (deficiency) as at previous valuation		($166,289)
Interest on funding surplus (deficiency) at 8% per year		($43,187)
Employer contributions to fund the deficit		$56,982
Expected funding surplus (deficiency)		($152,494)
Transfer from Parliamentary Pensions Plan		$2,217
Net experience gains (losses)		
Net Investment returns lower than 8%per year	($30,530)	
Impact of DC 3 year smoothing	($36,380)	
Increases in pensionable earnings higher than 3.5% per year	($3,518)	
Indexation less than 2.5% per year	$8,370	
Mortality rates lower than previous assumption	($1,320)	
Retirement gains	$843	
Termination gains	$2,195	
Total experience gains (losses)		($60,340)
Impact of changes in assumptions		
Pensionable earnings increases and Indexation scale	$27,860	
Mortality assumption	$8,798	
Retirement Scale	$29,283	
Administrative table commutation factors update	($4,553)	
Impact of discount rate change from 8% to ultimate rate of 7.25%	($37,236)	
Total assumption changes impact		$24,152
Net impact of other elements of gains and losses		($239)
Funding surplus (deficiency) as at Jan 1, 2017 –7.25% (ultimate)		($186,704)
Impact of 1% reduction in discount rate to ultimate rate of 6.25%		($65,393)
Funding surplus (deficiency) as at Jan 1, 2017 – 6.25% (ultimate)		($252,097)

NORMAL COST

The normal cost is an estimate of the present value of the additional expected future benefit cash flows in respect of pensionable service that will accrue after the valuation date, assuming the Plan will be maintained indefinitely.

The normal cost during the year following the valuation date, compared with the corresponding value determined in the previous valuation, is as follows:

($000)	01.01.2017	01.01.2017	01.01.2014
Ultimate discount rate	***7.25%***	***6.25%***	***8%***
Defined Contribution (DC) Part of the Plan			
Total employer and employee contributions	$25,633	$25,633	$23,186
• Employee DC	($12,403)	($12,403)	($11,219)
• Employer DC	$13,230	$13,230	$11,967
• Total DC cost % of DC pay	12.4%	12.4%	12.4%
• Employer DC cost as % of DC pay	6.4%	6.4%	6.4%

($000)	01.01.2017	01.01.2017	01.01.2014
Ultimate discount rate	***7.25%***	***6.25%***	***8%***
Defined Benefit (DB) Part of the Plan			
• Total normal cost	$6,432	$7,740	$7,014
• Estimated members' required contributions	($2,649)	($2,649)	($2,910)
• Employer's normal cost	$3,783	$5,091	$4,104
• Expense allowance	$900	$900	$900
• Employer normal cost including expense allowance	$4,683	$5,991	$5,004
Total DB Normal Cost (ER & EE)	$7,332	$8,640	$7,914
• Total DB cost as % of DB pay	16.7%	19.6%	16.3%
• Employer DB cost as a % of DB pay	10.7%	13.6%	10.3%

The key factors that have caused a change in the employer's normal cost for the DB Part of the Plan since the previous valuation are summarized in the following table:

Employer's DB normal cost as at previous valuation	10.3%
Demographic changes	2.2%
Changes in assumptions	(1.8%)
Employer's DB normal cost as at January 1, 2017 – ultimate rate of 7.25%	10.7%
Impact of 1% reduction in discount rate	2.9%
Employer's DB normal cost as at January 1, 2017 – ultimate rate of 6.25%	13.6%

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CONTRIBUTION REQUIREMENTS

The Board's objective is to fund the Plan over 20 years from the valuation date. In order to achieve this objective, and based on the assumptions and methods described in this report, contributions should be made as described in the table below (results shown under both discount rate assumptions). The contributions recommended in the previous valuation are shown for comparison:

	JAN 1, 2017	JAN 1, 2017	JAN 1, 2014
Ultimate discount rate	***7.25%***	***6.25%***	***8%***
Defined Contribution (DC) Part of the Plan			
Employee contributions (% of pay)	6.0%	6.0%	6.0%
Employer required contributions (% of DC payroll)	6.4%	6.4%	6.4%
Defined Benefit (DB) Part of the Plan			
Employee contributions (% of pay)	6.0%	6.0%	6.0%
Employer normal cost (% of DB pay)[3]	10.7%	13.6%	10.3%
Employer contributions to fund past service deficit[4] ($000 per year)	$17,463	$21,913	$16,233

[3] Include expense allowance of $900,000 per year

[4] Amortization of the total Plan deficit over 20 years

An estimate of the contributions that would be required in the year following the valuation is shown in the table below:

($000)	JAN 1, 2017	JAN 1, 2017	JAN 1, 2014
Ultimate discount rate	***7.25%***	***6.25%***	***8%***
Defined Contribution (DC) Part of the Plan			
Employee contributions	$12,403	$12,403	$11,219
Employer required contributions	$13,230	$13,230	$11,967
Total employer and employee contributions	$25,633	$25,633	$23,186
Defined Benefit (DB) Part of the Plan			
Employee contributions	$2,649	$2,649	$2,910
Employer normal cost including expense allowance	$4,683	$5,991	$5,004
Employer contributions to amortization past service liability over 20 years	$17,463	$21,913	$16,233
Employer required contributions	$22,146	$27,904	$21,237
Total employee and employer contributions	$24,795	$30,553	$24,147
Total Plan (DB + DC)			
Total employee contributions	$15,052	$15,052	$14,129
Total employer required contributions (DB +DC)	$35,376	$41,134	$33,204
Current Employer contribution (DB +DC)	*$33,987*	*$33,987*	*$32,838*

The required annual contributions based on the January 1, 2017 valuation using an ultimate discount rate of 7.25% are approximately $1.4 million greater than the contributions expected to be made in 2017 based on the previous valuation report. Also, the January 1, 2017 valuation requires that contributions be maintained at these levels for 20 years (until 2037).

The funding requirements using an ultimate discount rate of 6.25% are approximately $7.2 million higher than the contributions expected to be made in 2017 based on the previous valuation report and would also have to be maintained for 20 years.

The breakdown of the contribution requirements by sponsoring employer is shown in Appendix A. For each participating employer, the cost as a percentage of salary will be different than the overall cost due mainly to a substantial amount of the past service cost being attributable to the Cayman Islands Government (CIG).

6
PRESCRIBED LEGISLATIVE FUNDING

SECTION 12 (1) (A) TEST

Section 12(1) (a) of the Public Service Pensions Law (2013 Revision) requires a determination as to whether the Fund is “capable of meeting its liabilities for at least forty years at the rate or rates of contributions then in force”. The Board and its external legal counsel have advised that their interpretation is that the Section 12 (1)(a) test is met if the Fund is capable paying benefits to DB members and DC members in the next 40 years without using assets in respect of DC members to pay DB benefits.

The ability to satisfy the Section 12(1)(a) test depends primarily on the level of contributions made to the Plan and the level of investment returns expected to be earned by the pension fund. We have performed an analysis to determine if the test is met under the following three scenarios for future employer contribution levels to the Plan:

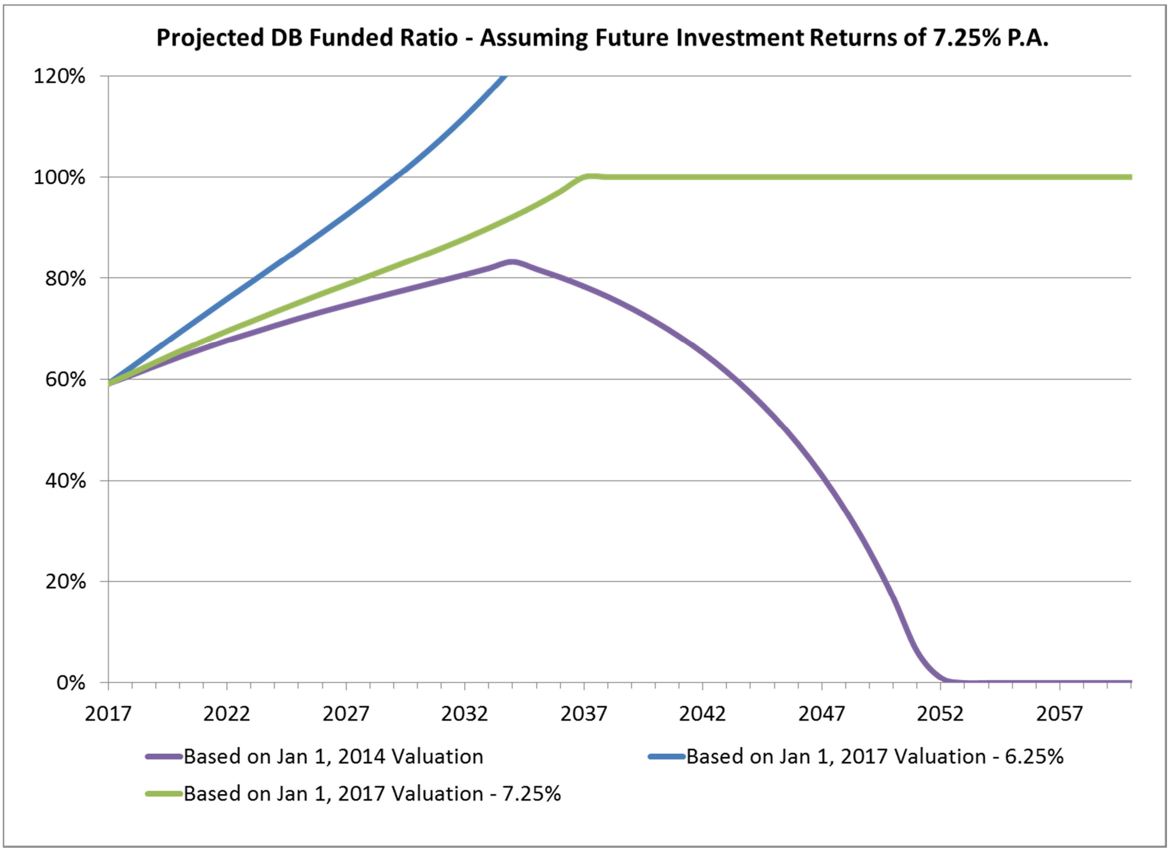
1. 2014 Valuation Funding (8%) – Employer contributions based on January 1, 2014 valuation funding valuation results using a discount rate of 8% and based on a 20 year amortization of the past service deficit from January 1, 2014.

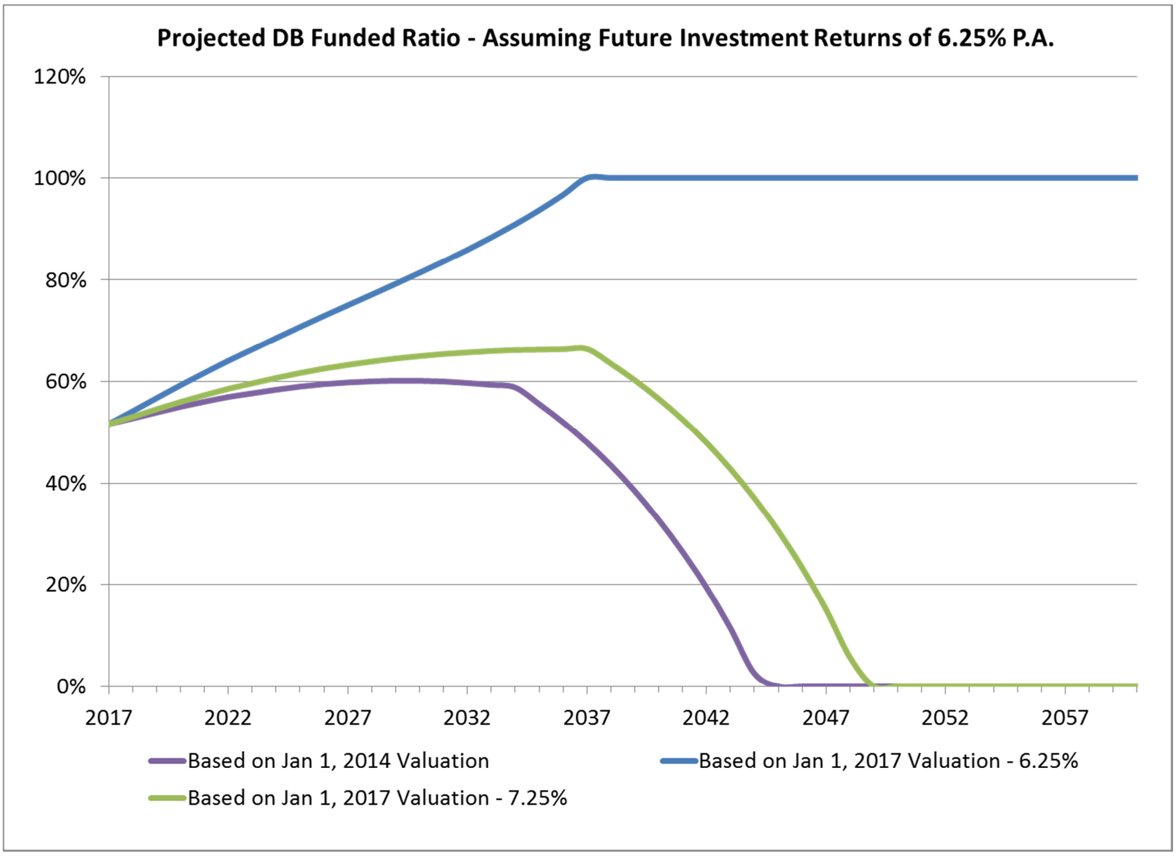
2. 2017 Valuation Funding (7.25%) – Employer contributions based on January 1, 2017 valuation funding valuation results using an ultimate discount rate of 7.25% and based on a 20 year amortization of the past service deficit.

3. 2017 Valuation Funding (6.25%) – Employer contributions based on January 1, 2017 valuation funding valuation results using an ultimate discount rate of 6.25% and based on a 20 year amortization of the past service deficit.

Under all three scenarios, employee contributions are assumed to remain at the current 6% of pay level.

The projected funded position of the DB Part of the Plan under each of the above funding scenarios and assuming future ultimate investment returns of 7.25% per year and 6.25% per year are shown below. Scenarios in which the funded ratio of the DB Part of the Plan remains above 0% at least until 2057 (40 years after the valuation date) are considered to have met the Section 12(1)(a) test.





The results of the Section 12(1) (a) Test is summarized below:

FUNDING SCENARIO	FUTURE INVESTMENT RETURNS*	
	7.25% PER YEAR	6.25% PER YEAR
Current Funding	Fail	Fail
2017 Valuation Funding (7.25%)	Pass	Fail
2017 Valuation Funding (6.25%)	Pass	Pass

* ultimate rates

RECOMMENDED DB CONTRIBUTIONS BASED ON 20 YEARS FUNDING

Based on the above analysis, the Board has decided to recommend that the employers fund the Plan based on the recommendations of this valuation report, based on an ultimate discount rate of 7.25% and on the basis of amortizing the past service liability over a 20 year period. Based on the Board's decision, the method for determining the amount of employee and employer contributions are as follows:

($000)	FUNDING REQUIREMENTS
Defined Contribution (DC) Part of the Plan	
Employee contributions (% of pay)	6.0%
Employer required contributions (% of DC payroll)	6.4%
Defined Benefit (DB) Part of the Plan	
Employee contributions (% of pay)	6.0%
Employer normal cost (% of DB pay)[5]	10.7%
Employer contributions to amortization past service deficit ($ per year)	$17,463

The estimated required employer contributions to fund the DB Plan for the three years following the valuation date are outlined below.

EMPLOYER DB CONTRIBUTION ($000)	JAN 1, 2017 TO DEC 31, 2017	JAN 1, 2018 TO DEC 31, 2018	JAN 1, 2019 TO DEC 31, 2019
Normal cost (inclusive of expense allowance)	$4,683	$4,823	$4,968
Amount to fund past service liability	$17,463	$17,463	$17,463
Total Employer contributions	$22,146	$22,286	$22,431

The normal cost in 2018 and 2019 assumes that pensionable earnings would increase by 3% per annum.

Employee contributions of 6% of pay are in additional to the amounts shown above. For the year starting January 1, 2017, the total estimated employee contributions to the DB Part of the Plan is $2,649,000.

[5] Includes expense allowance of $900,000 per year

7 SUSTAINABILITY OF PENSION PLAN

To have a sustainable pension system, contributions and investment income must be able to fund benefit payments and expenses. Historically, contribution levels to the Plan have been low relative to the cost of benefits that have been promised. This has placed pressure on the Fund assets to generate sufficient investment returns to make up the difference.

DB PLAN FINANCING

It is critical that future funding to the Plan remain at least at the current funding levels outlined in the *Public Service Pensions (Contribution Rates) Regulations, 2016* and ideally at the levels recommended in this report. In the past, contribution levels have been much lower than the cost of the benefits promised, which has placed pressure on the assets to generate sufficient investment returns to make up the difference. While historical investment returns earned on the Fund have been excellent, in this current economic environment it will become increasingly difficult for investment returns alone to make up the difference.

In order to ensure the long term sustainability of the Plan, the employers will need to fund the Plan in accordance with the current and future funding recommendations of the actuary and the Board. If existing contribution level is not maintained or the recommended contributions in this report are not implemented, the Plan deficit is expected to continue to grow significantly. Benefit outflows have begun to exceed contributions inflows over the next few years. If adequate contribution levels are not maintained, even more significant contributions would likely be required in the future in order to provide the promised benefits.

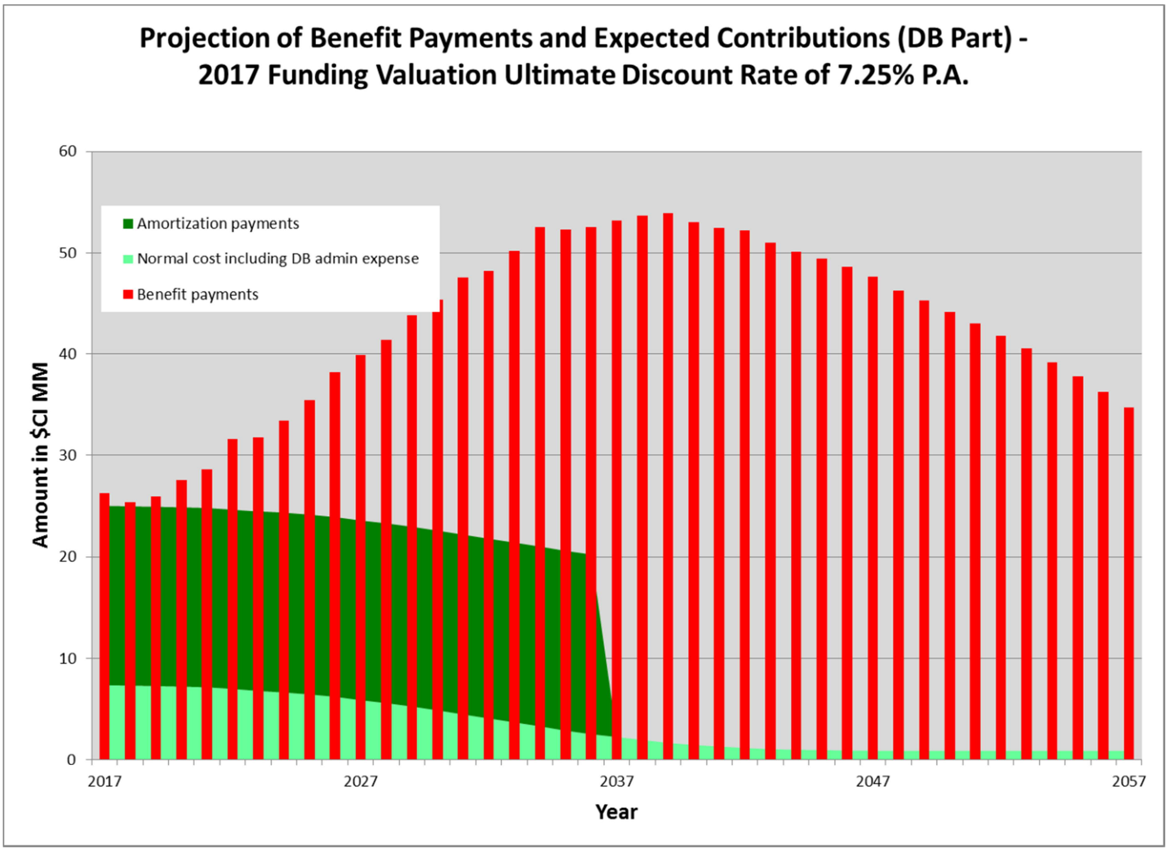
The amount of funding required to the Plan could be reduced if design changes are made to reduce the cost and risks associated with the benefits paid from the Plan. The change in the normal retirement age to 65 will have a positive impact on the sustainability of the Plan, to the extent that DB members start retiring later.

PROJECTION ANALYSIS

Analysis of the sustainability of the Plan involves long term projection of the funded status of the Plan and its cash flow requirements. A significant cash flow shortfall as a result of benefit payouts exceeding incoming contributions could lead to disinvestment of assets, as well as impact the investment earnings capability of the Fund.

The following graphs illustrate the cash flow analysis of the plan over the next 40 years for the DB Part of the Plan, as well as the projected funded status over the same period.

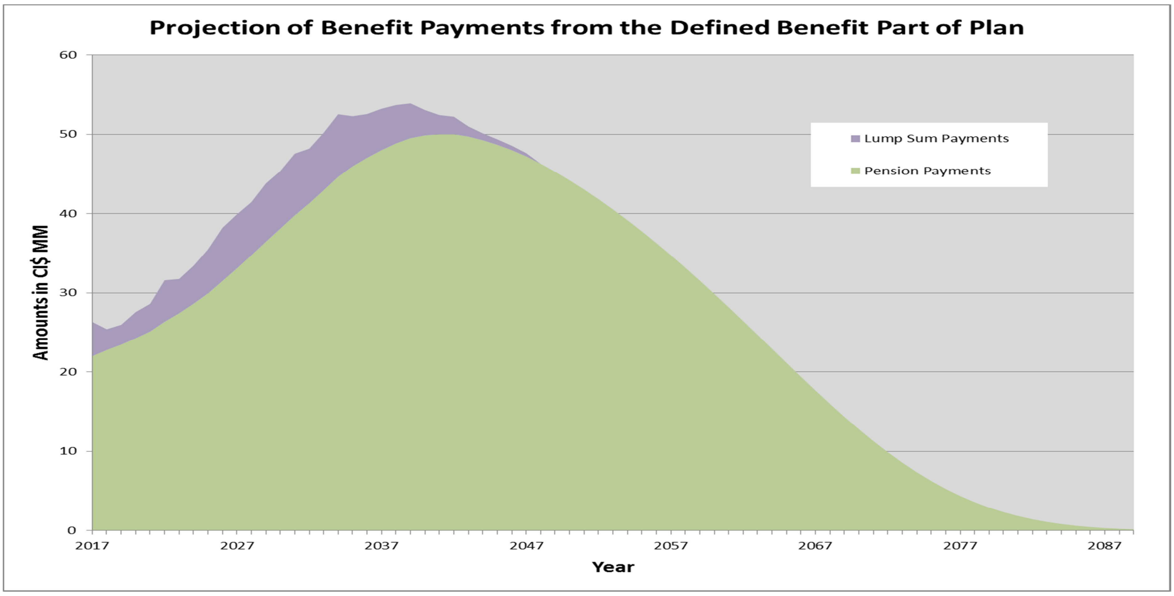
Graph 1A: Expected Benefit Payments vs Expected Contributions based on January 1, 2017 valuation



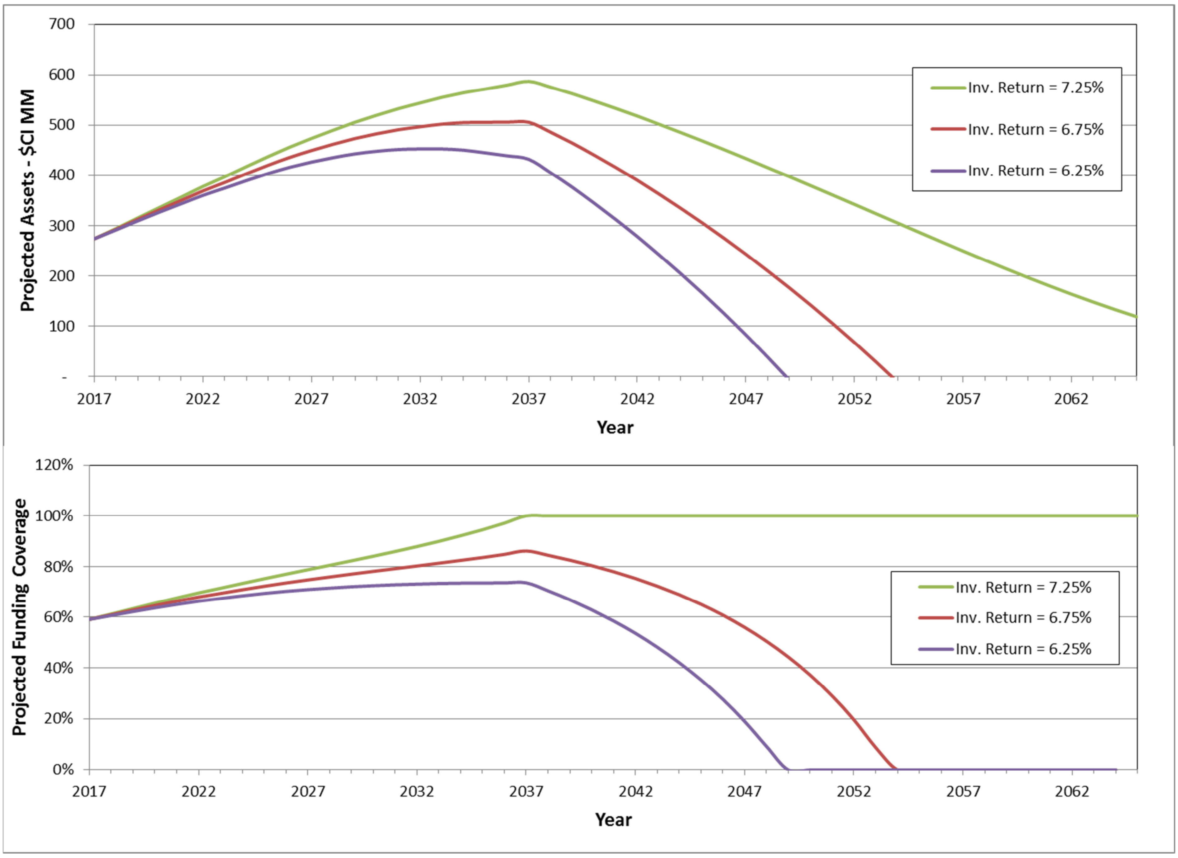
The projected benefit payments for the next 40 years are shown above. Projected contributions to DB Part of the Plan are currently comparable to the projected benefit payments to DB members. If the Plan is funded in accordance with the recommendations contained in this report (2017 Valuation Funding at 7.25%), the Board would be able to meet its cash flow requirements for a longer period of time without the need to disinvest assets. The incremental investment returns earned on higher contributions made over the next few years will help fund the increasingly negative cash flow in future years.

Graph 1B: Projection of Benefit Payments form the DB Part of the Plan

The graph below shows the breakdown of benefits to be paid from the DB Part of the Plan



Graph 2: Sensitivity of the Investment to different asset return



As illustrated above, even if contributions are made to the DB Part of the Plan based on the recommendations contained in this report (2017 Valuation Funding at 7.25%[6]), the funded status of the Plan will deteriorate if returns are less than the discount rate. Should asset returns be less than the discount rate, such losses will be revealed in future valuations, which will result in further contribution increases being necessary.

[6] 8.00% for the first year, 7.625% for the second year, and 7.25% thereafter.

8
ACTUARIAL OPINION

In our opinion, for the purposes of the valuations,

- The membership data on which the valuation is based are sufficient and suitable for the intended purpose.
- The assumptions are reasonable and appropriate.
- The methods employed in the valuation are appropriate.

This report has been prepared in accordance with our Terms of Engagement and the Caribbean Actuarial Association Standards of Practice – APS3.

Except as noted herein, this report has been prepared, and our opinions given, in accordance with accepted actuarial practice.

DRAFT

Angelita Graham
Fellow of the Society of Actuaries

Fellow of the Canadian Institute of Actuaries

Date

DRAFT

Manuel Monteiro
Fellow of the Society of Actuaries

Fellow of the Canadian Institute of Actuaries

Date

APPENDIX A

VALUATION RESULTS AS AT JANUARY 1, 2017 BY SPONSORING EMPLOYER

ACTUARIAL POSITION OF THE DEFINED BENEFIT PART

ULTIMATE DISCOUNT RATE	7.25%			6.25%		
DB Part of the Plan	**CIG**	**Statutory Authorities**	**Total**	**CIG**	**Statutory Authorities**	**Total**
Summary of Membership Data						
• Number of actives	632	171	803	632	171	803
• Number of pensioners	1,892	0	1,892	1,892	0	1,892
• Number of deferred	343	113	456	343	113	456
Market Value of Assets ($000)	244,340	33,306	277,646	244,340	33,306	277,646
Accrued Liability ($000)						
• Active members	150,065	26,765	176,830	177,522	31,933	209,455
• Pensioners and survivors	268,394	0	268,394	296,911	0	296,911
• Deferred pensioners	13,939	5,187	19,126	17,070	6,307	23,377
Total Liabilities	432,398	31,952	464,350	491,503	38,240	529,743
Funding surplus (deficit) - ($000)	(188,058)	1,354	(186,704)	(247,171)	(4,934)	(252,097)
DB Funded Ratio	57%	104%	60%	50%	87%	52%
Assumptions						
• Ultimate discount rate	*7.25%*	*7.25%*	*7.25%*	*6.25%*	*6.25%*	*6.25%*
• Salary increases	*3.00%*	*3.00%*	*3.00%*	*3.00%*	*3.00%*	*3.00%*
• Pension increases	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*

ACTUARIAL POSITION OF THE DB PLAN AS AT JANUARY 1, 2017
RESULTS SPLIT BY PARTICIPATING EMPLOYER ($000)
– ULTIMATE DISCOUNT RATE OF 7.25%

At retirement from a Statutory Authority, the obligation and an actuarial equivalent amount of assets is transferred to CIG. Those authorities with negative assets shown above still owe an amount to the Plan in respect the retirees' liabilities that have been transferred to CIG.

PARTICIPATING EMPLOYERS	ALLOCATED FUNDS	TOTAL DB PAST SERVICE LIABILITY	SURPLUS/ (DEFICIENCY)	FUNDING LEVEL
Cayman Islands Airports Authority	3,311	6,044	(2,733)	55%
Civil Aviation Authority	2,850	2,671	179	107%
University College of Cayman Islands	(997)	27	(1,024)	N/A
CAYS Foundation	50	9	41	556%
CINICO	124	105	19	118%
Cayman Islands Development Bank	(86)	0	(86)	N/A
Electricity Regulatory Authority	1	0	1	N/A
Health Services Authority	9,092	9,477	(385)	96%
National Housing Development Trust	78	0	78	N/A
Inform. And Comm. Tech Authority	172	87	85	198%
Cayman Islands Monetary Authority	8,959	4,720	4,239	190%
Public Service Pensions Board	1,182	898	284	132%
National Roads Authority	3,317	2,493	824	133%
Maritime Authority of Cayman Islands	1,963	1,613	350	122%
Cayman Islands Turtle Farm	1,467	1,242	225	118%
Water Authority	1,823	2,566	(743)	71%
CIG	244,340	432,398	(188,058)	57%
Total	277,646	464,350	(186,704)	60%

CONTRIBUTION REQUIREMENTS AS AT JANUARY 1, 2017 – DEFINED BENEFIT PART

RESULTS BY SPONSORING EMPLOYER – ULTIMATE DISCOUNT RATE OF 7.25%

Participating Employers of the Plan	Total Annual Pensionable Pay $000	Actuarial Surplus/ (deficit) $000	Normal Cost $000	Normal Cost as % of Pay	Amortization Cost * $000	Amortization Cost as % of Pay*	Expenses $000	Total Cost * $000	Total Cost as % of Pay*
Cayman Islands Airports Authority	1,255	(2,733)	179	14.3%	256	20.4%	0	435	34.7%
Civil Aviation Authority	210	179	18	8.6%	N/A	N/A	0	18	8.6%
University College of Cayman Islands	0	(1,024)	0	N/A	96	N/A	0	96	N/A
CAYS Foundation	0	41	0	N/A	N/A	N/A	0	N/A	N/A
CINICO	63	19	8	12.7%	N/A	N/A	0	8	12.7%
Cayman Islands Development Bank	0	(86)	0	N/A	8	N/A	0	8	N/A
Electricity Regulatory Authority	0	1	0	N/A	0	N/A	0	N/A	N/A
Health Services Authority	3,959	(385)	573	14.5%	36	0.9%	0	609	15.4%
National Housing Development Trust	0	78	0	N/A	N/A	N/A	0	N/A	N/A
Inform. And Comm. Tech Authority	149	85	13	8.7%	N/A	N/A	0	13	8.7%
Cayman Islands Monetary Authority	1,312	4,239	191	14.6%	N/A	N/A	0	191	14.6%
Public Service Pensions Board	292	284	44	15.1%	N/A	N/A	0	44	15.1%
National Roads Authority	1,392	824	188	13.5%	N/A	N/A	0	188	13.5%
Maritime Authority of Cayman Islands	959	350	143	14.9%	N/A	N/A	0	143	14.9%
Cayman Islands Turtle Farm	220	225	37	16.8%	N/A	N/A	0	37	16.8%
Water Authority	386	(743)	66	17.1%	69	17.9%	0	135	35.0%
CIG	33,714	(188,058)	4,972	14.7%	17,590	52.2%	900	23,462	69.6%
Plan*	**43,911**	**(186,704)**	**6,432**	**14.6%**	**N/A**	**N/A**	**900**	**N/A**	**N/A**

Note: Employee contribution requirement is currently 6% of the total cost shown above.

*The Amortization Cost of the Plan deficit of $186.704 million is $17,463,000 and the Total Cost for the Plan is $24,795,000. However, broken down by Participating Employers, employers for which a deemed surplus is disclosed are assumed to contribute the Normal Cost only. Hence, the summation of the Amortization and Total Cost columns across employers with a deemed deficit position is greater than the amount of the entire Plan as a whole.

APPENDIX B
PLAN ASSETS

The assets of the Defined Benefit Part and the Defined Contribution Part of the Plan are commingled and held as a part of the Public Service Pension Fund (“the Fund”) and managed by the PSPB. The assets of two other pension plans, the Parliamentary Pensions Plan and the Judicial Pension Plan, are pooled together to constitute the Fund.

The assets are notionally allocated to each of the three participating pension plans through an internal accounting mechanism that tracks, for each accounting period, actual cash flows and allocates investment income and expenses in proportion to the opening value of assets allocated. Similar internal accounting is used for developing each participating employer’s share of the Fund.

The valuations are based on the asset information provided to us by PSPB. The Fund assets are held in trust by CIBC Mellon. We have relied on the data provided to us by PSPB without further audit. Customarily, this information would not be verified by a plan’s actuary. To the extent that the data provided changes, the results herein may also change.

RECONCILIATION OF MARKET VALUE OF INVESTED FUND

The Fund transactions since the last valuation are summarized in the following table:

	2014	2015	2016
January 1	$447,210,481	$486,847,034	$516,486,619
PLUS			
Member contributions	$14,878,286	$13,374,444	$13,643,592
Employer contributions	$29,957,684	$28,807,422	$47,513,286
Investment earnings	$35,865,960	$27,544,010	$32,963,892
	$80,701,930	$69,725,877	$94,120,769
LESS			
Benefits paid	$32,616,227	$32,355,247	$34,760,143
Administration and investment fees	$8,449,150	$7,731,045	$7,930,951
	$41,065,377	$40,086,292	$42,691,094
December 31	$486,847,034	$516,486,619	$567,916,294
Gross rate of return[7]	7.99%	5.65%	6.27%
Rate of return net of expenses[8]	6.05%	4.03%	4.73%

[7] Assuming mid-period cash flows.

[8] Assuming mid-period cash flows.

The table below shows the reconciliation of the market value of invested assets allocated to the Plan: In determining the notional assets allocated to the Plan as at December 31, 2016, we started with the asset value disclosed in the prior valuation report as at January 1, 2014 and adjusted for the Plan's cash flows and allocated investment income based on the investment returns earned by the Fund over the three-year period, 2014 to 2017.

	2014	2015	2016
January 1	$433,703,533	$470,507,073	$498,546,798
PLUS			
Member contributions	$14,665,440	$13,130,852	$13,414,151
Employer contributions	$26,762,053	$26,717,159	$45,592,960
Investment earnings	$34,719,898	$26,602,944	$31,825,614
	$76,147,391	$66,450,955	$90,832,725
LESS			
Benefits paid	$31,149,887	$30,939,661	$33,345,224
Administration and investment fees	$8,193,964	$7,471,569	$7,655,474
	$39,343,851	$38,411,230	$41,000,698
December 31 (pre reallocation of $2.217 million)	$470,507,073	$498,546,798	$548,378,825
Gross rate of return[9]	7.99%	5.65%	6.27%
Rate of return net of expenses[10]	6.04%	4.03%	4.73%

The portion of the fund allocated to the DC Part of the Plan as at January 1, 2017 prior to reflecting the pending transfer of $32,000 to the JPP is estimated to be $272.95 million based on the DC account balances as at January 1, 2017 provided to us by the PSPB. The DC asset value as at January 1, 2017 after reflecting the pending transfer is $272.918 million.

The DB assets value of the Plan as at January 1, 2017 is $277.65 million after reflecting the adjustment for the $2.217 million contribution reallocation between the Plan and the Parliamentary Pensions Plan.

[9] Assuming mid-period cash flows.

[10] Assuming mid-period cash flows.

INVESTMENT POLICY

The plan administrator, PSPB, has adopted a statement of investment policy and procedures. This policy is intended to provide guidelines for the managers as to the level of risk that is consistent with the Plan's investment objectives. A significant component of this investment policy is the asset mix.

PSPB is solely responsible for selecting the plan's investment policies, asset allocations, and individual investments.

The investment policy was updated December 11, 2015. The target asset mix and the actual asset mix at the valuation date are provided for information purposes:

	INVESTMENT POLICY			ACTUAL ASSET MIX AS AT JANUARY 1, 2017
	Minimum	Target	Maximum	
Equities	55%	80%	85%	78%
Fixed Income	15%	20%	45%	21%
Cash and cash equivalents	0%	0%	5%	1%
		100%		100%

APPENDIX C

METHODS AND ASSUMPTIONS – GOING CONCERN

VALUATION OF ASSETS

For this valuation, we have used the market value of assets.

GOING CONCERN FUNDING TARGET

Over time, the real cost to the employer of a pension plan is the excess of benefits and expenses over member contributions and investment earnings. The actuarial cost method allocates this cost to annual time periods.

For purposes of the going concern valuation, we have continued to use the projected unit credit actuarial cost method. Under this method, we determine the present value of benefit cash flows expected to be paid in respect of service accrued prior to the valuation date, based on projected final average earnings. This is referred to as the funding target.

The funding excess or funding shortfall, as the case may be, is the difference between the market or smoothed value of assets and the funding target. A funding excess on a market value basis indicates that the current market value of assets and expected investment earnings are expected to be sufficient to meet the cash flows in respect of benefits accrued to the valuation date as well as expected expenses – assuming the plan is maintained indefinitely. A funding shortfall on a market value basis indicates the opposite – that the current market value of the assets is not expected to be sufficient to meet the plan’s cash flow requirements in respect of accrued benefits, absent additional contributions.

The actuarial cost method used for the purposes of this valuation produces a reasonable matching of contributions with accruing benefits. Because benefits are recognized as they accrue, the actuarial cost method provides an effective funding target for a plan that is maintained indefinitely.

Normal cost

The normal cost is the present value of projected benefits to be paid under the plan with respect to service expected to accrue during the period until the next valuation.

The employer’s normal cost is the total normal cost reduced by the members’ required contributions. The employer’s normal cost has been expressed as a percentage of the members’ pensionable earnings to provide an automatic adjustment in the event of fluctuations in membership and/or pensionable earnings.

Under the projected unit credit actuarial cost method, the normal cost for an individual member will increase each year as the member approaches retirement. However, the normal cost of the entire group, expressed as a percentage of the members' pensionable earnings, can be expected to remain stable as long as the average age of the group remains constant.

ACTUARIAL ASSUMPTIONS – GOING CONCERN BASIS

The present value of future benefit payment cash flows is based on economic and demographic assumptions. At each valuation, we determine whether, in our opinion, the actuarial assumptions are still appropriate for the purposes of the valuation, and we revise them, if necessary. Emerging experience will result in gains or losses that will be revealed and considered in future actuarial valuations.

The table below shows the various assumptions used in the current valuation in comparison with those used in the previous valuation.

ASSUMPTION	CURRENT VALUATION	PREVIOUS VALUATION
Discount rate:	7.00% for 2017, 6.625% for 2018, 6.25% thereafter / 8.00% for 2017, 7.625% for 2018, 7.25% thereafter	7.00%/8.00%
Explicit expenses in respect of the DB Part of the Plan:	$900,000, increasing by 2.0% per year	$900,000, increasing by 2.5% per year
Inflation:	2.0%	2.50%
Pensionable earnings increases:	3.0%	3.50%
Post-retirement pension increases:	2.0%	2.50%
Retirement rates:	Age-related table	Age 57 and 10 years of service (Non-Gazetted police officers after 21 years of service)
Termination rates:	Age-related table	Age-related table
Election for 25% commutation of pension:	100% election	100% election
Mortality rates:	100% of the rates of the RP-2014 Mortality Table scaled back to 2006 using Scale MP-2016	100% of the rates of the 1994 Uninsured Pensioner Mortality Table projected to 2014 using Scale BB
Mortality improvements:	Fully generational using Scale MP 2016	Fully generational using Scale BB
Disability rates:	None	None
Eligible spouse at retirement:	80%	80%

ASSUMPTION	CURRENT VALUATION	PREVIOUS VALUATION
Spousal age difference:	Male 3 years older	Male 3 years older
Dependent children:	Pre Ret: Male 65% Female 20% Post Ret: Male 5% Female 0%	Pre Ret: Male 65% Female 20% Post Ret: Male 5% Female 0%
DC Annuity Conversions:	Same as prior valuation	Assumed to be cost neutral; liabilities recognized once members retires
Cost of DC death benefit	Same as prior valuation	0.4% of DC payroll

The assumptions are best-estimates and do not include a margin for adverse deviations.

AGE RELATED TABLES

Sample rates from the age related tables are summarized in the following table:

AGE	TERMINATION – MALE	TERMINATION – FEMALE	RETIREMENT
20	7.50%	12.50%	0.00%
25	5.00%	12.50%	0.00%
30	3.50%	7.50%	0.00%
35	2.50%	4.50%	0.00%
40	1.50%	2.50%	0.00%
45	0.50%	0.50%	0.00%
50	0.00%	0.00%	0.00%
55 to 59	0.00%	0.00%	8.00%
60	0.00%	0.00%	60.00%
61 to 64	0.00%	0.00%	8.00%
65	0.00%	0.00%	100.00%

PENSIONABLE EARNINGS

The benefits ultimately paid will depend on each member’s final earnings. To calculate the pension benefits payable upon retirement, death, or termination of employment, we have taken monthly earnings and assumed that such pensionable earnings will increase at the assumed rate.

SAMPLE ANNUAL COMMUTATION FACTORS

AGE	ANNUAL RATES
50	195.81
51	193.89
52	191.89
53	189.91
54	187.65
55 - 65	185.41

RATIONALE FOR ASSUMPTIONS

A rationale for each of the assumptions used in the current valuation is provided below.

DISCOUNT RATE

We have discounted the expected benefit payment cash flows using the expected investment return on the market value of the fund. Other bases for discounting the expected benefit payment cash flows may be appropriate, particularly for purposes other than those specifically identified in this valuation report.

The discount rate is comprised of the following:

- Estimated returns for each major asset class consistent with market conditions on the valuation date and the target asset mix specified in the Plan's investment policy
- Additional returns assumed to be achievable due to active equity management, equal to the fees related to active equity management. Such fees were determined by the difference between the provision for total investment expenses and the hypothetical fees that would be incurred for passive management of all assets.
- Implicit provision for investment expenses determined as the average rate of investment expenses paid from the fund over the last 4 years

The discount rate was developed as follows:

Assumed investment return	6.35%
Investment expense	(0.70%)
Added value from manager selection	0.60%
Margin for adverse deviation	0.00%
Net discount rate (assuming added value from manager selection equal to incremental cost of active management over passive management)	6.25%
Additional allowance for added value from manager selection	1.00%
Net discount rate[11] (including added value from manager selection in excess of incremental cost of active management)	7.25%

EXPENSES

$900,000. Represents portion of expenses allocated to DB component. Same assumption as the prior valuation.

INFLATION

Based on market expectation of long-term inflation implied by the yield captured in U.S. Treasury prices at the valuation date.

PENSIONABLE EARNINGS

This is a long term view of salary increases, based on the underlying inflation assumption plus the Board's best estimate assumption of general salary growth, merit and promotional increases of 1%.

[11] 8% for the first year, 7.625% for the second year, and 7.25% thereafter.

POST-RETIREMENT PENSION INCREASES

The assumption is based on the Plan formula and inflation assumption above.

RETIREMENT RATES

The assumptions are based on the 2017 experience study on the Plan's actual retirement data over the period 2011 to 2016.

TERMINATION RATES

The assumption is based on a table that is consistent with our experience with similar plans and employee groups. Recent experience has been consistent with the assumptions.

MORTALITY RATES

The assumption for the mortality rates is based on the U.S. 2014 Retirement Plans' Mortality Table scaled back to 2006, generationally projected using Scale MP-2016.

Recent mortality studies in the U.S. and Canada show that people are living longer. New mortality tables have been issued by U.S. and Canada. The mortality table has been updated to better reflect actual mortality improvement rates experienced in the U.S. over the last 20 years. There is broad consensus amongst longevity experts that mortality improvement will continue in the future. In the U.S., the future mortality improvement scale has been updated to Scale MP-2016 from Scale BB.

DISABILITY RATES

Use of a different assumption would not have a material impact on the valuation.

ELIGIBLE SPOUSE

The assumption is based on an industry standard for non-retired members (actual status used for retirees).

SPOUSAL AGE DIFFERENCE

The assumption is based on an industry standard showing males are typically 3 years older than their spouse.

APPENDIX D

MEMBERSHIP DATA

ANALYSIS OF MEMBERSHIP DATA

The actuarial valuation is based on membership data as at January 1, 2017, provided by PSPB.

We have applied tests for internal consistency, as well as for consistency with the data used for the previous valuation. These tests were applied to membership reconciliation, basic information (date of birth, date of hire, date of membership, gender, etc.), pensionable earnings, credited service, contributions accumulated with interest, and pensions to retirees and other members entitled to a deferred pension. Contributions, lump sum payments, and pensions to retirees were compared with corresponding amounts reported in financial statements. PSPB was queried in order to resolve inconsistent data elements. The PSPB provided confirmation that the final data, incorporating query responses, was appropriate for the purpose of the valuations.

If the data supplied are not sufficient and reliable for its intended purpose, the results of our calculation may differ significantly from the results that would be obtained with such data. Although Mercer has reviewed the suitability of the data for its intended use, Mercer has not verified or audited any of the data or information provided.

Plan membership data are summarized below. For comparison, we have also summarized corresponding data from the previous valuation.

	01.01.2017	01.01.2014
Active Members - DB		
Number	803	988
Total annual payroll ($000)	$43,911	$48,507
Average years of pensionable service	23.93	21.27
Average age	48.01	46.44
Active Members – DC		
Number[12]	4,944	4,417
Total annual payroll ($000)	$206,720	$186,995
Total account balance ($000)	$243,183	$154,898
Average age	43.53	41.51
Deferred Pensioners – DB		
Number	456	457
Total annual deferred pension ($000)	$2,835	$2,853
Average age	46.56	44.71
Deferred Pensioners – DC		
Number	1,546	1,371
Total account balance ($000)	$29,387	$18,215
Average age	41.28	40.67
Pensioners and Survivors		
Number	1,892	1,525
Total annual pension ($000)	$21,343	$17,136
Average age	65.10	63.35

[12] Adjusted to reflect the two magistrates who were subsequently transferred to the Judicial Pension after the valuation, but with an effective date of January 1, 2016

The membership movement for all categories of membership since the previous actuarial valuation is as follows:

	ACTIVE DB	ACTIVE DC	DEFERRED DB	DEFERRED DC	RETIREES	BENEFICIARIES	TOTAL
Jan. 1, 2014	**988**	**4,417**	**457**	**1,371**	**1,354**	**171**	**8,758**
New Entrants		1,386					1,386
Rehires	8	65	(8)	(65)			0
Terminations							
Transferred	(4)	(337)	(6)	(78)			(425)
Transfer to JPP		(2)					(2)
Deferred	(47)	(447)	47	447			0
Deaths	(4)	(15)	(2)	(2)	(53)	(4)	(80)
Benefit Expired						(8)	(8)
New Beneficiaries						47	47
Retirements							
Annuity	(132)	(192)	(27)	(21)	372		0
Cash-out					(1)		(1)
Data Corrections	(6)	69	(5)	(106)	13	1	(34)
Jan. 1, 2017	**803**	**4,944**	**456**	**1,546**	**1,685**	**207**	**9,641**

The distribution of the active members of the DB Part of the Plan by age and pensionable service as at 01.01.2017 is summarized as follows:

YEARS OF PENSIONABLE SERVICE								
Age	**0-4**	**5-9**	**10-14**	**15-19**	**20-24**	**25-29**	**30 +**	**Total**
35 to 39	3	2	4	73	10			92
40 to 44		1	2	88	66	30		187
45 to 49			2	42	63	82	25	214
50 to 54				30	33	52	60	175
55 to 59				24	26	23	56	129
60 to 64				2			4	6
Total	**3**	**3**	**8**	**259**	**198**	**187**	**145**	**803**

The distribution of the deferred members of the DB Part of the Plan by age as at the valuation date is summarized as follows:

DEFERRED PENSIONERS		
Age	**Number**	**Average Pension**
30 – 34	3	$1,770
35 – 39	89	$3,085
40 – 44	130	$5,266
45 – 49	101	$8,299
50 – 54	71	$9,071
55 – 59	47	$7,254
60 – 64	8	$3,214
65 and Over	7	$3,047
Total	**456**	**$6,216**

The distribution of the pensioners and survivors by age as at the valuation date is summarized as follows:

PENSIONERS AND SURVIVORS		
Age	**Number**	**Average Pension**
Under 20	24	$3,102
20 – 24	2	$2,218
25 – 29	2	$605
30 – 34	1	$1,459
35 – 39	7	$1,552
40 – 44	28	$5,718
45 – 49	47	$9,097
50 – 54	106	$9,147
55 – 59	190	$14,499
60 – 64	548	$11,790
65 – 69	434	$11,341
70 – 74	242	$11,526
75 – 79	105	$10,116
80 – 84	81	$11,541
85 – 89	40	$11,791
90 – 94	23	$8,718
95 and Over	12	$8,132
Total	**1,892**	**$11,281**

ACTIVE DB PARTICIPANT DATA BY PARTICIPATING EMPLOYERS

	ACTIVE PARTICIPANTS			
Participating Employers	**Count**	**Total Annual Payroll ($000)**	**Average Age**	**Average Service**
Cayman Islands Airports Authority	21	1,255	48.23	23.89
Civil Aviation Authority	2	210	52.04	29.21
University College of Cayman Islands				
CAYS Foundation				
CINICO	1	63	45.41	22.83
Cayman Islands Development Bank				
Electricity Regulatory Authority				
Health Services Authority	78	3,958	48.95	23.20
National Housing Development Trust				
Inform. And Comm. Tech Authority	2	149	37.87	17.29
Cayman Islands Monetary Authority	15	1,312	47.08	22.24
Public Service Pensions Board	2	292	46.58	24.46
National Roads Authority	28	1,392	47.52	25.58
Maritime Authority of Cayman Islands	10	959	47.24	26.04
Cayman Islands Turtle Farm	7	220	51.13	21.43
Water Authority	5	386	50.13	25.35
CIG	632	33,715	47.92	23.97
Total	**803**	**$43,911**	**48.01**	**23.93**

Note: Of the 803 active members above, 188 have service with multiple participating employers. See Transferred Participants on next page for breakdown of service with other employers.

	TRANSFERRED PARTICIPANTS			
Participating Employers	**Count**	**Total Annual Payroll ($000)**	**Average Age**	**Average Service**
Cayman Islands Airports Authority	10	576	45.04	25.34
Civil Aviation Authority	1	50	39.42	18.50
University College of Cayman Islands				
CAYS Foundation				
CINICO				
Cayman Islands Development Bank				
Electricity Regulatory Authority				
Health Services Authority	21	1,139	46.35	20.31
National Housing Development Trust				
Inform. And Comm. Tech Authority				
Cayman Islands Monetary Authority	3	276	43.00	17.92
Public Service Pensions Board	3	264	45.90	22.75
National Roads Authority				
Maritime Authority of Cayman Islands				
Cayman Islands Turtle Farm	2	144	37.78	18.54
Water Authority	2	97	47.42	22.63
CIG	146	8,687	48.47	24.03
Total	**188**	**$11,233**	**47.75**	**23.46**

ACTIVE DC PARTICIPANT DATA BY PARTICIPATING EMPLOYERS

PARTICIPATING EMPLOYERS	COUNT	SALARY ($000)	TOTAL ACCOUNT BALANCE ($000)	AGE
Cayman Islands Airports Authority	162	6,699	7,110	41.10
Civil Aviation Authority	10	665	617	39.83
University College of Cayman Islands				
CAYS Foundation	54	1,940	1,682	45.93
CINICO	2	106	233	53.35
Cayman Islands Development Bank				
Electricity Regulatory Authority				
Health Services Authority	730	39,349	44,553	45.48
National Housing Development Trust				
Inform. And Comm. Tech Authority	10	846	471	49.13
Cayman Islands Monetary Authority	138	8,513	7,487	40.17
Public Service Pensions Board	28	1,563	1,763	42.92
National Roads Authority	72	2,539	4,068	41.84
Maritime Authority of Cayman Islands	8	535	1,052	38.88
Cayman Islands Turtle Farm	126	3,004	2,934	43.76
Water Authority				
CIG	3,604	140,961	171,213	43.37
Total	**4,944**	**$206,720**	**$243,183**	**43.53**

DEFERRED DB PARTICIPANT DATA BY PARTICIPATING EMPLOYERS

PARTICIPATING EMPLOYERS	NUMBER	ANNUAL DEFERRED PENSION
Cayman Islands Airports Authority	17	199,463
Civil Aviation Authority	2	137,385
University College of Cayman Islands	4	12,425
CAYS Foundation	2	9,126
CINICO		
Cayman Islands Development Bank		
Electricity Regulatory Authority		
Health Services Authority	24	156,152
National Housing Development Trust		
Inform. And Comm. Tech Authority		
Cayman Islands Monetary Authority	27	276,508
Public Service Pensions Board	2	4,411
National Roads Authority	6	21,739
Maritime Authority of Cayman Islands	2	37,905
Cayman Islands Turtle Farm	7	70,630
Water Authority	10	79,704
CIG	353	1,829,226
Total	**456**	**$2,834,674**

APPENDIX E

PRINCIPAL PROVISIONS OF THE DEFINED BENEFIT PART OF THE PUBLIC SERVICE PENSION PLAN

1.	Eligibility:	Public service employees are immediately eligible for participation in the Plan.
2.	Pensionable Service:	Continuous service from date of hire.
3.	Pensionable Earnings:	Pensionable Earnings include monthly basic salary, acting allowances, and duty allowances. The retirement pension computation is generally based on the monthly Pensionable Earnings at the time of retirement, unless there are transfers from one office to another, in which case the computation may be based on one-third of the aggregate pensionable earnings during the final three years.
4.	Employee Contributions:	Employee contributions are currently pitched at a rate of 6% of pensionable earnings.
5.	Eligibility for Retirement Pension:	Generally, on or after attaining age 50 and completing 10 years of service. There are special cases under which these conditions may be relaxed.
6.	Retirement benefits:	
	a. Pension at Retirement -	A monthly pension equal to 1/720 times the number of completed months of pensionable service times the final month's Pensionable Earnings. For officers first appointed to a pensionable office prior to July 10, 1980, the monthly pension is computed as 1/600 times the number of completed months of pensionable service times the final month's Pensionable Earnings. The pension cannot exceed two-thirds of the highest Pensionable Earnings received during the officer's service.
	b. Commutation -	Up to ¼ of the retirement pension can be commuted for a lump sum. The pension to lump sum conversions will be determined by the plan's actuarial factors.
	c. Pension Increases -	Pensions in payment may be increased, once a year. The Pensions Law (1999) calls for these pension increases to match annual cost-of-living increases up to 5% and on a sliding scale thereafter.

	d. Early Retirement -	Early retirement reduction factors apply to retirement pensions prior to completion of age 50 and 10 years of service. For deferred vested participants, early retirement reduction factors apply for pension commencement prior to age 60. Police officers are allowed to retire with full benefits after completing 21 years of service.
7.	Benefits on Death After Retirement or While Eligible to Retire:	A spouse's pension equal to 50% of the pensioner's benefit, payable until remarriage. A dependent children's pension payable up to age 18 or age 23 (if full-time education) equal to 50% of the pension received by the participant, divided by the number of dependent children. These amounts are doubled if there is no spouse.
8.	Benefits on Disablement:	A pension based on accrued normal retirement pension is payable upon receipt of medical evidence of permanent disability and incapacity to perform duties. In addition, a pension is payable to an officer who is permanently injured in discharge of duty and who is not entitled to compensation under any Workmen's Compensation Law. The amount of the pension depends on the extent of disablement.
9.	Benefits on Death in Service:	A spouse's pension equal to 50% of the member's pension accrued as of the date of death, based on pay and service at the date of death. An additional equivalent amount is divided equally among any children under the age of 18 or 23 (if in full-time education). In addition, there will be paid an amount equal to the excess, if any, of the greater of: a lump sum equal to 12 month' Pensionable Earnings the participant's contribution account balance over the actuarially equivalent present value of the pension benefits payable to the beneficiaries. An additional pension is paid to the beneficiaries of participants killed as a result of injuries received while in the actual discharge of duty.

10.	Termination Benefits:	An employee who terminates his employment can expect to receive a pension commencing at age 60, based on benefits accrued at the time of termination or alternatively to receive the participant contribution account balance. The pension has the same features of commutation, post-retirement death benefit, and post-retirement pension increases as for active employees eligible for retirement benefits.
11.	Other Benefits (Not Valued):	Supplementary pensions on abolition of office and re-organization.

APPENDIX F

EMPLOYER CERTIFICATION

With respect to the Report on the Actuarial Valuation for Funding Purposes as at January 1, 2017 of the Public Service Pensions Plan, I hereby certify that, to the best of my knowledge and belief:

- The valuation reflects the terms of the Board's engagement with the actuary described in section 3 of this report.
- A copy of the official plan documents and of all amendments made up to January 1, 2017 was provided to the actuary and is reflected appropriately in the summary of plan provisions contained herein.
- The asset information summarized in Appendix B is reflective of the Plan's assets.
- The membership data provided to the actuary included a description of every person who is entitled to benefits under the terms of the Plan for service up to January 1, 2017 and are appropriate for purposes of the valuation.
- All events subsequent to January 1, 2017 that may have an impact on the Plan have been communicated to the actuary.

Date

Signed

Name

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MARSH & McLENNAN COMPANIES

HEALTH WEALTH CAREER

PARLIAMENTARY PENSIONS PLAN

REPORT ON THE ACTUARIAL VALUATION FOR FUNDING PURPOSES AS AT JANUARY 1, 2017

18 APRIL 2018

MAKE TOMORROW, TODAY

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Note to reader regarding actuarial valuations:

This valuation report may not be relied upon for any purpose other than those explicitly noted in the Introduction, nor may it be relied upon by any party other than the parties noted in the Introduction. Mercer is not responsible for the consequences of any other use. A valuation report is a snapshot of a plan's estimated financial condition at a particular point in time; it does not predict a pension plan's future financial condition or its ability to pay benefits in the future. If maintained indefinitely, a plan's total cost will depend on a number of factors, including the amount of benefits the plan pays, the number of people paid benefits, the amount of plan expenses, and the amount earned on any assets invested to pay the benefits. These amounts and other variables are uncertain and unknowable at the valuation date. The content of the report may not be modified, incorporated into or used in other material, sold or otherwise provided, in whole or in part, to any other person or entity, without Mercer's permission. All parts of this report, including any documents incorporated by reference, are integral to understanding and explaining its contents; no part may be taken out of context, used, or relied upon without reference to the report as a whole.

To prepare the results in this report, actuarial assumptions are used to model a single scenario from a range of possibilities for each valuation basis. The results based on that single scenario are included in this report. However, the future is uncertain and the plan's actual experience will differ from those assumptions; these differences may be significant or material. Different assumptions or scenarios within the range of possibilities may also be reasonable, and results based on those assumptions would be different. Furthermore, actuarial assumptions may be changed from one valuation to the next because of changes in regulatory and professional requirements, developments in case law, plan experience, changes in expectations about the future, and other factors.

The valuation results shown in this report also illustrate the sensitivity to one of the key actuarial assumptions, the discount rate. We note that the results presented herein rely on many assumptions, all of which are subject to uncertainty, with a broad range of possible outcomes, and the results are sensitive to all the assumptions used in the valuation.

Should the plan be wound up, the going concern funded status becomes irrelevant. This report does not include an estimate of the financial position of the plan assuming it was wound up on the valuation date. The financial position of the plan on a wind-up basis could differ very significantly from the going-concern funded status disclosed in this report. Emerging experience will affect the wind-up financial position of the plan assuming it is wound up in the future. In fact, even if the plan were wound up on the valuation date, the financial position would continue to fluctuate until the benefits are fully settled.

Decisions about benefit changes, granting new benefits, investment policy, funding policy, benefit security, and/or benefit-related issues should not be made solely on the basis of this valuation, but only after careful consideration of alternative economic, financial, demographic, and societal factors, including financial scenarios that assume future sustained investment losses.

Funding calculations reflect our understanding of the requirements of the Parliamentary Pensions Law (2010 Revision) and related regulations that are effective as of the valuation date. Mercer is not a law firm, and the analysis presented in this report is not intended to be a legal opinion. You should consider securing the advice of legal counsel with respect to any legal matters related to this report.

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SUMMARY OF RESULTS

(000'S)	01.01.2017	01.01.2017	01.01.2014
Ultimate discount rate	***7.25%[1]***	***6.25%[2]***	***8%***
Financial Status			
Market value of DB assets	$9,701	$9,701	$8,108
Market value of DC assets	$1,164	$1,164	$349
Market value of total plan assets	$10,865	$10,865	$8,457
DC Account Balances	$1,164	$1,164	$349
Defined Benefit liabilities	$20,756	$22,876	$20,005
Total DB and DC Liabilities	$21,920	$24,040	$20,354
DB Funding deficiency (past service liability)	($11,055)	($13,175)	($11,897)
Funded Ratio (DB Only)	47%	42%	41%
Funded Ratio (DB and DC together)	50%	45%	42%
Funding Requirements in the Year Following the Valuation			
Employees' required DB contributions	$31	$31	$40
Estimated employer's DB normal cost	$216	$239	$296
Expense allowance	$50	$50	$50
Employer normal cost inclusive of expense allowance	$266	$289	$346
Funding of deficiency over 20 years	$1,034	$1,145	$1,161
Total employer DB contribution	$1,300	$1,434	$1,507
Total DB contributions (employee + employer)	$1,331	$1,465	$1,547
Employer's cost as a % of DB pay	250.4%	276.2%	227.2%
Employee contribution as a % of DB pay	6.0%	6.0%	6.0%
Total DC (employee + employer)	$256	$256	$190
Total DC cost as a % of DC pay	12.4%	12.4%	12.4%

[1] 8% graded down to 7.25% over 3 years

[2] 7% graded down to 6.25% over 3 years – sensitivity of liabilities to 1% drop in the discount rate assumptions

2
INTRODUCTION

TO THE PUBLIC SERVICE PENSIONS BOARD (THE "BOARD")

At the request of the Board we have conducted an actuarial valuation of the Parliamentary Pensions Plan (the "Plan"), as at January 1, 2017, in accordance with the current Parliamentary Pensions Law of the Cayman Islands. We are pleased to present the results of the valuation.

PURPOSE

The purposes of this valuation are:

- Determine the funded status of the Plan as at January 1, 2017.
- Measure ability of the fund to meet its long term liabilities based on current contribution rates, in accordance with Section 10 of the Parliamentary Pensions Law, hereinafter referred to as 2010 Revision.
- If not so capable, determine the contribution rates that would be required to reinstate the capability.

The information contained in this report was prepared for the internal use of the Board for determining the funding requirements of the Plan. This report is not intended or suitable for any other purpose.

All amounts shown here in are in respect of Cayman Dollars.

TERMS OF ENGAGEMENT

In accordance with our terms of engagement with the Board, our actuarial valuation of the Plan is based on the following material terms:

- It has been prepared in accordance with the Parliamentary Pensions Law (2010 Revision)
- It has been prepared assuming that the Plan will continue indefinitely
- It has been prepared using best estimate assumptions proposed by Mercer and approved by the Board, adjusted as follows based on instructions from the Board:
  - we have not reflected a margins for adverse deviations; and

  - we reflected an additional allowance in our discount rate for active management investment outperformance of 1% per annum, which is consistent with the historic returns earned by the Plan over the past 10 years

  Results have been presented using a discount rate of 8% for the first year, 7.625% for the second year and an ultimate rate of 7.25% per year thereafter (which reflects the allowance for future active management outperformance). In addition we have shown the sensitivity of the results using 7% for the first year, 6.625% for the second year and an ultimate rate of 6.25% per year thereafter (i.e. excluding the allowance for future active management outperformance).

- The employer funding requirements have been determined by reflecting the Board's decision to amortize past service actuarial deficiencies that arise over 20 years.

- The Board's decision to update the assumptions used to determine the commutation factor table, PV2 for the value of participant's immediate pension has been reflected in this valuation.

EVENTS SINCE THE LAST VALUATION AT JANUARY 1, 2014

In June 2016, a "true-up" of the government's past service cost contributions for the period January 1, 2014 to December 31, 2016 was done to reflect requirements in the January 1, 2014 funding valuation report of $1.161 million per annum. It was determined that the total payment to date was in excess of the requirement. As a result, in accordance with the financial secretary's instructions at the time of preparing its financial reporting results, the excess payment of $2.217 million was reallocated from the Plan to the defined benefit notional asset of the Public Service Pensions Plan in respect of the central government's participation in that plan. For the purpose of this valuation we have also reflected the $2.217 million reallocation of contributions from the Plan to the Public Service Pensions Plan.

We understand that the new normal cost contribution rate for the DB portion of the Plan, outlined in the January 1, 2014 valuation report took effect July 1, 2016 based on the regulations, Cabinet's approval and letter of advisement from the Administrator.

PENSION PLAN

This valuation reflects the provisions of the Plan as at January 1, 2017.

The Plan has been amended since the last valuation to provide pensions to persons who served as either a member or a Speaker for one full parliamentary term during the period October 1, 1959 and August 23, 2004. This change had no impact on the valuation results presented herein, in particular, the DB liabilities of the Plan.

We are not aware of any other pending definitive or virtually definitive amendments coming into effect during the period covered by this report. The Plan provisions are summarized in Appendix D.

ASSUMPTIONS

We have used the same valuation assumptions and methods as were used for the previous valuation, except for the following:

	CURRENT VALUATION	PREVIOUS VALUATION
Discount rate	8% for first year, 7.625% for year 2 and 7.25% thereafter	8%
Current mortality rates:	RP-2014 scaled back to 2006 and generationally projected from 2006 based on Scale MP-2016	UP94 projected to 2014 based on Scale BB
Future mortality improvements:	MP-2016	Scale BB
Inflation:	2.00%	2.50%
Pensionable earnings increases:	3.00%	3.50%
Post-retirement pension increases:	2.00%	2.50%

A summary of the valuation methods and assumptions is provided in Appendix B.

SUBSEQUENT EVENTS

After checking with representatives of the Board, to the best of our knowledge there have been no events subsequent to the valuation date which, in our opinion, would have a material impact on the results of the valuation. Our valuation reflects the financial position of the Plan as of this valuation date and does not take into account any experience after the valuation date, except as noted herein.

3
VALUATION RESULTS

FINANCIAL STATUS

This valuation compares the relationship between the value of Plan assets and the present value of expected future benefit cash flows in respect of accrued service.

The results of the current valuation based on a discount rate of 8% for the first year, 7.625% for the second year and 7.25% per year thereafter as well as sensitivity at a discount rate of 7% for the first year, 6.625% for the second year and 6.25% per year thereafter, compared with those from the previous valuation, are summarized below:

($000)	01.01.2017	01.01.2017	01.01.2014
Ultimate discount rate	***7.25%***	***6.25%***	***8%***
Assets			
Market value of assets – DB	$9,701	$9,701	$8,108
Market value of assets – DC	$1,164	$1,164	$349
Total Market Value of Plan Assets	$10,865	$10,865	$8,457
Funding target			
• Active members	$2,982	$3,258	$3,870
• Pensioners and survivors	$15,630	$17,107	$14,786
• Deferred pensioners	$1,714	$2,081	$1,349
• Outstanding payments[3]	$430	$430	$0
• Total DB Liabilities	$20,756	$22,876	$20,005
• DC Account Balances	$1,164	$1,164	$349
Total past service liability	$21,920	$24,040	$20,354
Funding excess (shortfall)	($11,055)	($13,175)	($11,897)
Total Funding Ratio (DB +DC)	50%	45%	42%
DB Funding Ratio	47%	42%	41%

[3] Payment made after valuation date in respect of members who terminated prior to January 1, 2017

The funding target is based on best-estimate assumptions and does not include a provision for adverse deviations.

RECONCILIATION OF FINANCIAL STATUS ($000)

The reconciliation of the funded position of the Plan from the prior valuation as at January 1, 2014 to January 1, 2017 is shown below.

Funding excess (shortfall) as at previous valuation		($11,897)
Interest on funding excess (shortfall) at 8% per year		($3,090)
Employer contributions to fund the deficit		$6,014
Expected funding excess (shortfall)		($8,973)
Reallocation of contribution to Public Service Pensions Plan		($2,217)
Net experience gains (losses)		
• Investment returns less than 8% per year	($937)	
• Increases in pensionable earnings less than 3.5% per year	$120	
• Indexation less than 2.5% per year	$560	
• Mortality rates lower than previous assumption	($352)	
• Retirement gains	$639	
Total experience gains (losses)		$30
Impact of changes in assumptions		
• Mortality • Inflation, pensionable earnings increases and post-retirement pension increases	$480 $853	
• Administrative table factors update	($67)	
Total assumption changes impact		$1,266
Impact of data corrections		$14
Net impact of other elements of gains and losses		$1
Funding excess (shortfall) as at current valuation at Jan 1, 2017 – 8%		($9,879)
Impact of discount rate change from 8% to ultimate rate of 7.25%		($1,176)
Funding excess (shortfall) as at Jan 1, 2017 – ultimate rate of 7.25%		($11,055)
Impact of 1% reduction in discount rate to ultimate rate of 6.25%		($2,120)
Funding excess (shortfall) as at Jan 1, 2017 – ultimate rate of 6.25%		($13,175)

NORMAL COST

The normal cost is an estimate of the present value of the additional expected future benefit cash flows in respect of pensionable service that will accrue after the valuation date, assuming the Plan will be maintained indefinitely.

The normal cost during the year following the valuation date, compared with the corresponding value determined in the previous valuation, is as follows:

($000)	JAN 1, 2017	JAN 1, 2017	JAN 1, 2014
Ultimate discount rate	*7.25%*[4]	*6.25%*[5]	*8%*
Defined Contribution Part of the Plan			
Total employer and employee contributions			
Employee DC	$124	$124	$92
Employer DC	$132	$132	$98
Total DC cost % of DC pay	12.4%	12.4%	12.4%
Employer DC cost as % of DC pay	6.4%	6.4%	6.4%
Defined Benefit Contribution Part of the Plan			
Total normal cost	$247	$270	$336
Estimated members' required contributions	($31)	($31)	($40)
Estimated employer's normal cost	216	239	296
Expense allowance	$50	$50	$50
Employer normal cost including expense allowance	$266	$289	$346
Total DB Normal Cost (employer and employee)	$297	$320	$386
Total DB cost as % of DB payroll	57.2%	61.6%	58.2%
Employer DB cost as a % of DB payroll	51.2%	55.7%	52.2%

[4] 8% graded down to 7.25% over 3 years

[5] 7% graded down to 6.25% over 3 years – sensitivity of liabilities to 1% drop in the discount rate assumptions

The key factors that have caused a change in the employer's normal cost for the DB Part of the Plan since the previous valuation are summarized in the following table:

Employer's DB normal cost as at previous valuation	52.2%
Demographic changes	(2.2%)
Changes in assumptions	(1.3%)
Employer's normal cost as at January 1, 2017 – 8%	48.7%
Impact of discount rate change from 8% to ultimate rate of 7.25%	2.5%
Employer's normal cost as at January 1, 2017 – ultimate rate of 7.25%	51.2%
Impact of 1% reduction in discount rate to ultimate rate of 6.25%	4.5%
Employer's normal cost as at January 1, 2017 – ultimate rate of 6.25%	55.7%

4
CONTRIBUTION REQUIREMENTS

The Board has established an objective that the Plan be fully funded in 20 years from the valuation date. Based on the assumptions and methods described in this report, in order to achieve this objective, contributions should be made as described in the table below (results shown under both discount rate scenarios). The contributions recommended in the previous valuation are shown for comparison:

	JAN 1, 2017	JAN 1, 2017	JAN 1, 2014
Ultimate discount rate	**7.25%**	**6.25%**	**8%**
Defined Contribution (DC) Part of the Plan			
Employee contributions (% of pay)	6.0%	6.0%	6.0%
Employer required contributions (% of DC payroll)	6.4%	6.4%	6.4%
Defined Benefit (DB) Part of the Plan			
Employee contributions (% of pay)	6.0%	6.0%	6.0%
Employer normal cost (% of DB pay)[6]	51.2%	55.7%	52.2%
Employer contributions to fund past service deficit ($000 per year)	$1,034	$1,145	$1,161

[6] Include expense allowance of $50,000 per year

An estimate of the contributions that would be required in the three years following the valuation, assuming salaries increased at a rate of 3% per annum, are shown in the table below:

($000)	2017	2018	2019
Defined Contribution (DC) Part of the Plan			
Employee contributions	$124	$128	$132
Employer required contributions	$132	$136	$140
Total employer and employee contributions	$256	$264	$272
Defined Benefit (DB) Part of the Plan			
Employee contributions	$31	$32	$33
Employer normal cost including expense allowance	$266	$274	$282
Employer contributions to amortization past service liability over 20 years	$1,034	$1,034	$1,034
Employer required contributions	$1,300	$1,308	$1,316
Total employee and employer contributions	$1,331	$1,340	$1,349
Total Plan (DB + DC)			
Total employee contributions	$155	$160	$165
Total employer required contributions (DB +DC)	$1,432	$1,444	$1,456

The required contributions based on the January 1, 2017 valuation using an ultimate discount rate of 7.25% are marginally lower than the rate established in the prior valuation, with the exception that the January 1, 2017 valuation requires contributions be maintained at these levels for 20 years (until 2037).

Any contribution level adopted by the Board for recommendation to Cabinet must at minimum meet the Parliamentary Pensions Plan Law (2010 Revision) Section 10 test. The above contributions would meet those requirements.

5
ACTUARIAL OPINION

In our opinion, for the purposes of the valuations,

- The membership data on which the valuation is based are sufficient and reliable.
- The assumptions are appropriate***.***
- The methods employed in the valuation are appropriate.

This report has been prepared in accordance with our Terms of Engagement and the Caribbean Actuarial Association Standards of Practice – APS3.

Except as noted herein, this report has been prepared, and our opinions given, in accordance with accepted actuarial practice.

DRAFT

Angelita Graham
Fellow of the Society of Actuaries

Fellow of the Canadian Institute of Actuaries

Date

DRAFT

Manuel Monteiro
Fellow of the Society of Actuaries

Fellow of the Canadian Institute of Actuaries

Date

APPENDIX A

PLAN ASSETS

The Defined Benefit assets as well as the Defined Contribution assets of the Plan are held as a part of the Public Service Pension Fund ("the Fund") and managed by the PSPB. The assets of two other pension plans, Public Service Pensions Plan and the Judicial Pension Plan, are pooled together to constitute the Fund.

The assets are notionally allocated to each of the three participating pension plans through an internal accounting mechanism that tracks, for each accounting period, actual cash flows and allocates investment income and expenses in proportion to the opening value of assets allocated.

The valuations are based on the asset information provided to us by PSPB. The Fund assets are held in trust by CIBC Mellon. We have relied on the data provided to us by PSPB without further audit. Customarily, this information would not be verified by a plan's actuary. To the extent that the data provided changes, the results herein may also change.

RECONCILIATION OF MARKET VALUE OF FUND

The Fund transactions since the last valuation are summarized in the following table:

	2014	2015	2016
January 1	$447,210,481	$486,847,034	$516,486,619
PLUS			
Member contributions	$14,878,285	$13,374,445	$13,643,592
Employer contributions	$29,957,684	$28,807,422	$47,513,286
Investment earnings	$35,865,961	$27,544,010	$32,963,891
	$80,701,930	$69,725,877	$94,120,769
LESS			
Benefits paid	$32,616,227	$32,355,247	$34,760,143
Administration and investment fees	$8,449,150	$7,731,045	$7,930,951
	$41,065,377	$40,086,292	$42,691,094
December 31 (excluding in-transits)	$486,847,034	$516,486,619	$567,916,294
Gross rate of return[7]	7.99%	5.65%	6.27%
Rate of return net of expenses[8]	6.05%	4.03%	4.73%

[7] Assuming mid-period cash flows.

[8] Assuming mid-period cash flows.

The table below shows the reconciliation of the market value of invested assets allocated to the Plan. In determining the notional assets allocated to the Plan as at December 31, 2016, we started with the asset value disclosed in the prior valuation report as at January 1, 2014, and adjusted for the Plan's cash flow, and allocated investment income based on the investment returns earned by the Fund over the 3-year period.

The table below shows the reconciliation of the allocated market value of assets for the Parliamentary Pensions Plan (DB plus DC) only:

	2014	2015	2016
January 1	$8,456,605	$10,715,063	$11,947,715
PLUS			
Member contributions	$126,754	$164,501	$148,939
Employer contributions	$2,976,754	$1,906,168	$1,679,439
Investment earnings	$736,155	$622,149	$760,863
	$3,839,663	$2,692,818	$2,589,241
LESS			
Benefits paid	$1,421,434	$1,290,013	$1,272,099
Administration and investment fees	$159,771	$170,153	$183,464
	$1,581,205	$1,460,166	$1,455,563
December 31 (pre reallocation of $2.217 million)	$10,715,063	$11,947,715	$13,081,393
Gross rate of return[9]	7.99%	5.65%	6.27%
Rate of return net of expenses[10]	6.20%	4.07%	4.72%

The DC asset value at each yearend is equal to the accumulated account balance with interest at each year end in respect of the DC members. As such, the DC asset value as at January 1, 2017 is determined to be $1,163,656 based the DC account balances as at January 1, 2017 provided by PSPB.

The DB assets value of the Plan as at January 1, 2017 is $9.701 million net adjustment for the $2.217 million contribution reallocation between the Plan and the Public Service Pensions Plan.

[9] Assuming mid-period cash flows.

[10] Assuming mid-period cash flows.

INVESTMENT POLICY

The PSPB has adopted a statement of investment policy and procedures. This policy is intended to provide guidelines for the managers as to the level of risk that is consistent with the Plan's investment objectives. A significant component of this investment policy is the asset mix.

The PSPB is solely responsible for selecting the plan's investment policies, asset allocations, and individual investments.

The investment policy was updated December 11, 2015. The target asset mix and the actual asset mix at the valuation date are provided for information purposes:

	INVESTMENT POLICY			ACTUAL ASSET MIX AS AT JANUARY 1, 2017
	Minimum	Target	Maximum	
Equities	55%	80%	85%	78%
Fixed Income	15%	20%	45%	21%
Cash and cash equivalents	0%	0%	5%	1%
		100%		100%

APPENDIX B

METHODS AND ASSUMPTIONS – GOING CONCERN

VALUATION OF ASSETS

For this valuation, we have used the market value of assets.

GOING CONCERN FUNDING TARGET

Over time, the real cost to the employer of a pension plan is the excess of benefits and expenses over member contributions and investment earnings. The actuarial cost method allocates this cost to annual time periods.

For purposes of the going concern valuation, we have continued to use the projected unit credit actuarial cost method. Under this method, we determine the present value of benefit cash flows expected to be paid in respect of service accrued prior to the valuation date, based on projected final average earnings. This is referred to as the funding target.

The funding excess or funding shortfall, as the case may be, is the difference between the market or smoothed value of assets and the funding target. A funding excess on a market value basis indicates that the current market value of assets and expected investment earnings are expected to be sufficient to meet the cash flows in respect of benefits accrued to the valuation date as well as expected expenses – assuming the plan is maintained indefinitely. A funding shortfall on a market value basis indicates the opposite – that the current market value of the assets is not expected to be sufficient to meet the plan’s cash flow requirements in respect of accrued benefits, absent additional contributions.

The actuarial cost method used for the purposes of this valuation produces a reasonable matching of contributions with accruing benefits. Because benefits are recognized as they accrue, the actuarial cost method provides an effective funding target for a plan that is maintained indefinitely.

NORMAL COST

The normal cost is the present value of projected benefits to be paid under the plan with respect to service expected to accrue during the period until the next valuation.

The employer’s normal cost is the total normal cost reduced by the members’ required contributions.

The employer’s normal cost has been expressed as a percentage of the members’ pensionable earnings to provide an automatic adjustment in the event of fluctuations in membership and/or pensionable earnings.

Under the projected unit credit actuarial cost method, the normal cost for an individual member will increase each year as the member approaches retirement. However, the normal cost of the entire group, expressed as a percentage of the members' pensionable earnings, can be expected to remain stable as long as the average age of the group remains constant.

ACTUARIAL ASSUMPTIONS – GOING CONCERN BASIS

The present value of future benefit payment cash flows is based on economic and demographic assumptions. At each valuation we determine whether, in our opinion, the actuarial assumptions are still appropriate for the purposes of the valuation, and we revise them, if necessary. Emerging experience will result in gains or losses that will be revealed and considered in future actuarial valuations.

The table below shows the various assumptions used in the current valuation in comparison with those used in the previous valuation.

ASSUMPTION	CURRENT VALUATION	PREVIOUS VALUATION
Discount rate:	7.00% for the first year, 6.625% for the second year, 6.25% thereafter / 8.00% for the first year, 7.625% for the second year, 7.25% thereafter	7.00% / 8.00%
Explicit expenses:	$50,000	$50,000
Inflation:	2.00%	2.50%
Pensionable earnings increases:	3.00%	3.50%
Post-retirement pension increases:	2.00%	2.50%
Retirement rates:	Age 55 and 10 years of service	Age 55 and 10 years of service
Termination rates:	None	None
Election for 25% commutation of pension:	100% election	100% election
Mortality rates:	100% of the rates of the RP-2014 Mortality Table scaled back to 2006 using Scale MP-2016	100% of the rates of the 1994 Uninsured Pensioner Mortality Table projected to 2014 using Scale BB
Mortality improvements:	Fully generational using Scale MP-2016	Fully generational using Scale BB
Disability rates:	None	None
Eligible spouse at retirement:	80%	80%
Spousal age difference:	Male 3 years older	Male 3 years older

ASSUMPTION	CURRENT VALUATION	PREVIOUS VALUATION
Dependent children:	Pre Ret: Male 65% Female 20% Post Ret: Male 5% Female 0%	Pre Ret: Male 65% Female 20% Post Ret: Male 5% Female 0%
DC Annuity Conversions:	Same as prior valuation	Assumed to be cost neutral; liabilities recognized once members retire
Cost of DC death benefit	Same as prior valuation	0.4% of DC payroll

The assumptions are best-estimates and do not include a margin for adverse deviations.

PENSIONABLE EARNINGS

The benefits ultimately paid will depend on each member's final earnings. To calculate the pension benefits payable upon retirement, death, or termination of employment, we have taken monthly earnings and assumed that such pensionable earnings will increase at the assumed rate.

SAMPLE ANNUAL COMMUTATION FACTORS

AGE	ANNUAL RATES
50	195.81
51	193.89
52	191.89
53	189.91
54	187.65
55 - 65	185.41

RATIONALE FOR ASSUMPTIONS

A rationale for each of the assumptions used in the current valuation is provided below.

DISCOUNT RATE

We have discounted the expected benefit payment cash flows using the expected investment return on the market value of the fund. Other bases for discounting the expected benefit payment cash flows may be appropriate, particularly for purposes other than those specifically identified in this valuation report.

The discount rate is comprised of the following:

- Estimated returns for each major asset class consistent with market conditions on the valuation date and the target asset mix specified in the Plan's investment policy
- Additional returns assumed to be achievable due to active equity management, equal to the fees related to active equity management. Such fees were determined by the difference between the provision for total investment expenses and the hypothetical fees that would be incurred for passive management of all assets.
- Implicit provision for investment expenses determined as the average rate of investment expenses paid from the fund over the last 4 years

The discount rate was developed as follows:

Assumed investment return	6.35%
Investment expense	(0.70%)
Added value from manager selection	0.60%
Margin for adverse deviation	0.00%
Net interest rate	6.25%
Additional allowance for added value from manager selection	1.00%
Net discount rate[11]	7.25%

EXPENSES

$50,000. Represents portion of expenses allocated to DB component. Same assumption as the prior valuation.

INFLATION

Based on market expectation of long-term inflation implied by the yield captured in U.S. Treasury prices at the valuation date.

PENSIONABLE EARNINGS

This is a long term view of salary increases, based on the underlying inflation assumption plus the Board's best estimate assumption of general salary growth, merit and promotional increases of 1%.

[11] 8% for first year, 7.625% for second year, 7.25% thereafter.

POST-RETIREMENT PENSION INCREASES

The assumption is based on the Plan formula and inflation assumption above.

RETIREMENT RATES

The assumption is based on the Plan provisions and our experience with similar plans and employee groups.

TERMINATION RATES

None. All active members are over age 50 years and are eligible to retire.

MORTALITY RATES

The assumption for the mortality rates is based on the U.S. 2014 Retirement Plans' Mortality Table scaled back to 2006, generationally projected using Scale MP-2016.

Recent mortality studies in the U.S. and Canada show that people are living longer. New mortality tables have been issued by U.S. and Canada. The mortality table has been updated to better reflect actual mortality improvement rates experienced in the U.S. over the last 20 years.

There is broad consensus amongst longevity experts that mortality improvement will continue in the future. In the U.S., the future mortality improvement scale has been updated to Scale MP-2016 from Scale BB.

DISABILITY RATES

Use of a different assumption would not have a material impact on the valuation.

ELIGIBLE SPOUSE

The assumption is based on an industry standard for non-retired members (actual status used for retirees).

SPOUSAL AGE DIFFERENCE

The assumption is based on an industry standard showing males are typically 3 years older than their spouse.

APPENDIX C
MEMBERSHIP DATA

ANALYSIS OF MEMBERSHIP DATA

The actuarial valuation is based on membership data as at January 1, 2017, provided by PSPB.

We have applied tests for internal consistency, as well as for consistency with the data used for the previous valuation. These tests were applied to membership reconciliation, basic information (date of birth, date of hire, date of membership, gender, etc.), pensionable earnings, credited service, contributions accumulated with interest, and pensions to retirees and other members entitled to a deferred pension. Contributions, lump sum payments, and pensions to retirees were compared with corresponding amounts reported in financial statements. PSPB was queried in order to resolve inconsistent data elements. The PSPB provided confirmation that the final data, incorporating query responses, was appropriate for the purpose of the valuations.

If the data supplied are not sufficient and reliable for its intended purpose, the results of our calculation may differ significantly from the results that would be obtained with such data. Although Mercer has reviewed the suitability of the data for its intended use in accordance with accepted actuarial practice in Canada, Mercer has not verified or audited any of the data or information provided.

Plan membership data are summarized below. For comparison, we have also summarized corresponding data from the previous valuation.

	01.01.2017	01.01.2014
Active Members - DB		
Number	3	5
Total annual payroll	$519,186	$663,480
Average years of pensionable service	11.75	11.28
Average age	58.54	57.28
Active Members – DC		
Number	14	13
Total annual payroll	$2,065,928	$1,531,704
Total Account Balance	$1,163,656	$348,818
Average age	55.45	51.33
Deferred Pensioners – DB		
Number	9	9
Total annual deferred pension	$234,793	$234,793
Average age	51.16	48.16
Pensioners and Survivors		
Number	47	48
Total annual pension	$1,444,049	$1,301,894
Average age	77.00	75.77

The membership movement for all categories of membership since the previous actuarial valuation is as follows:

	ACTIVE DB	ACTIVE DC	DEFERRED DB	RETIREES	BENEFICIARIES	TOTAL
Jan. 1, 2014	**5**	**13**	**9**	**35**	**13**	**75**
New Entrants		1				1
Rehires						0
Terminations						0
Deaths				(2)	(2)	(4)
Benefit Expired						0
New Beneficiaries					1	1
Retirements	(2)			2		0
Data Corrections						
Jan. 1, 2017	**3**	**14**	**9**	**35**	**12**	**73**

The distribution of the active members of the DB Part of the Plan by age and pensionable service as at 01.01.2017 is summarized as follows:

	YEARS OF PENSIONABLE SERVICE			
Age	**5-9**	**10-14**	**15+**	**Total**
55 to 59	1		1	2
60 to 64				
65 and over		1		1
Total	1	1	1	3

The distribution of the deferred members by age as at the valuation date is summarized as follows:

	DEFERRED PENSIONERS	
Age	**Number**	**Average Pension**
40 – 44	1	*
45 – 49	4	$15,992
50 – 54	2	*
55 – 59	1	*
60 – 64	1	*
Total	9	$26,088

*Not shown for confidentiality

The distribution of the pensioners and survivors by age as at the valuation date is summarized as follows:

	PENSIONERS AND SURVIVORS	
Age	**Number**	**Average Pension**
50 – 54	1	*
55 – 59	1	*
60 – 64	4	$60,262
65 – 69	6	$36,030
70 – 74	11	$41,173
75 – 79	3	$30,630
80 – 84	10	$21,830
85 – 89	6	$13,393
90 – 94	4	$10,428
95 and over	1	*
Total	47	$30,724

*Not shown for confidentiality

APPENDIX D

PRINCIPAL PROVISIONS OF THE DEFINED BENEFIT PART OF THE PARLIAMENTARY PENSIONS PLAN

		PARLIAMENTARY PENSIONS PLAN
1.	Eligibility:	Elected members and the Speaker of the Legislative Assembly are eligible to participate in the Plan.
2.	Credited Service:	Service as a plan participant.
3.	Pensionable Earnings:	Full calendar month's basic salary paid to the participant.
4.	Participant Contributions:	6% of Pensionable Earnings.
5.	Government Contributions:	To be determined by actuarial valuations.
6.	Eligibility for Retirement Pension:	Having attained normal retirement age of 55, or early retirement age (between ages 50 and 54 inclusive) and completed one full parliamentary term.
7.	Retirement Benefits:	
	• Pension at Retirement	Annual pension equals to 1/360 times the number of completed months of credited service times the final month's Pensionable Earnings, subject to a maximum pension of 2/3 of the highest salary earned by a participant.
	• Commutation	Up to 25% of the retirement pension can be commuted for a lump sum. The pension to lump sum conversion will be determined by the plan's actuarial factors. This provision also applies to spouse's pension.
	• Pension Increases	Pensions in payment may be adjusted annually to match annual cost-of-living increases up to 5% and on a sliding scale thereafter.
	• Early Retirement	For retirements before age 55, the benefit will be reduced for early retirement in accordance with the plan's actuarial factors.
8.	Benefits on Death After Retirement or While Eligible to Retire:	A surviving spouse is entitled to a monthly pension equal to one-half (50%) of participant's pension amount. Each child is entitled to a monthly pension equal to one-half of the participant's pension amount divided by the number of children left by the participant. The payment is payable up to age 18 or 23 (for child in full-time education).

		PARLIAMENTARY PENSIONS PLAN
9.	Benefits on Disablement:	A pension based on accrued normal retirement pension is payable upon receipt of medical evidence of permanent disability and incapacity to perform duties. The benefit will be suspended upon cessation of disability. An additional pension is payable to a participant who is permanently injured in discharge of duty equal to one-third of the participant's Final Pensionable Earnings.
10.	Benefits on Death in Service:	A spouse's pension equal to 50% of the member's pension accrued as of the date of death, based on pay and service at the date of death. Each child is entitled to a monthly pension equal to one-half of the participant's accrued pension divided by the number of children left by the participant. The payment tis payable up to age 18 or 23 (for child in full-time education. In addition, there will be paid an amount equal to the excess, if any, of the greater of a lump sum equal to 12 months' Pensionable Earnings, or the participant's contribution account balance over the actuarially equivalent present value of the pension benefits payable to the beneficiaries. An additional pension is paid to the beneficiaries of participants killed as a result of injuries received while in the actual discharge of duty.
11.	Termination Benefits:	Provided the service requirements are satisfied upon termination, a participant who terminates his employment can expect to receive a pension commencing at age 55, based on benefits accrued at the time of termination. The pension has the same features of commutation, post-retirement death benefit, and post-retirement pension increases as for active employees eligible for retirement benefits.
12.	Other Benefits (Not Valued):	None.

APPENDIX E

EMPLOYER CERTIFICATION

With respect to the Report on the Actuarial Valuation for Funding Purposes as at January 1, 2017 of the Parliamentary Pensions Plan, I hereby certify that, to the best of my knowledge and belief:

- The valuation reflects the terms of the Board's engagement with the actuary described in section 2 of this report.
- A copy of the official plan documents and of all amendments made up to January 1, 2017 was provided to the actuary and is reflected appropriately in the summary of plan provisions contained herein.
- The asset information summarized in Appendix A is reflective of the Plan's assets.
- The membership data provided to the actuary included a complete and accurate description of every person who is entitled to benefits under the terms of the Plan for service up to January 1, 2017 and are appropriate for purposes of the valuation.
- All events subsequent to January 1, 2017 that may have an impact on the Plan have been communicated to the actuary.

Date

Signed

Name

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REPORT ON THE ACTUARIAL VALUATION FOR FUNDING PURPOSES AS AT JANUARY 1, 2017

APRIL 2018

Note to reader regarding actuarial valuations:

This valuation report may not be relied upon for any purpose other than those explicitly noted in the Introduction, nor may it be relied upon by any party other than the parties noted in the Introduction. Mercer is not responsible for the consequences of any other use. A valuation report is a snapshot of a plan's estimated financial condition at a particular point in time; it does not predict a pension plan's future financial condition or its ability to pay benefits in the future. If maintained indefinitely, a plan's total cost will depend on a number of factors, including the amount of benefits the plan pays, the number of people paid benefits, the amount of plan expenses, and the amount earned on any assets invested to pay the benefits. These amounts and other variables are uncertain and unknowable at the valuation date. The content of the report may not be modified, incorporated into or used in other material, sold or otherwise provided, in whole or in part, to any other person or entity, without Mercer's permission. All parts of this report, including any documents incorporated by reference, are integral to understanding and explaining its contents; no part may be taken out of context, used, or relied upon without reference to the report as a whole.

To prepare the results in this report, actuarial assumptions are used to model a single scenario from a range of possibilities for each valuation basis. The results based on that single scenario are included in this report. However, the future is uncertain and the plan's actual experience will differ from those assumptions; these differences may be significant or material. Different assumptions or scenarios within the range of possibilities may also be reasonable, and results based on those assumptions would be different. Furthermore, actuarial assumptions may be changed from one valuation to the next because of changes in regulatory and professional requirements, developments in case law, plan experience, changes in expectations about the future, and other factors.

The valuation results shown in this report also illustrate the sensitivity to one of the key actuarial assumptions, the discount rate. We note that the results presented herein rely on many assumptions, all of which are subject to uncertainty, with a broad range of possible outcomes, and the results are sensitive to all the assumptions used in the valuation.

Should the plan be wound up, the going concern funded status becomes irrelevant. This report does not include an estimate of the financial position of the plan assuming it was wound up on the valuation date. The financial position of the plan on a wind-up basis could differ very significantly from the going-concern funded status disclosed in this report. Emerging experience will affect the wind-up financial position of the plan assuming it is wound up in the future. In fact, even if the plan were wound up on the valuation date, the financial position would continue to fluctuate until the benefits are fully settled.

Decisions about benefit changes, granting new benefits, investment policy, funding policy, benefit security, and/or benefit-related issues should not be made solely on the basis of this valuation, but only after careful consideration of alternative economic, financial, demographic, and societal factors, including financial scenarios that assume future sustained investment losses.

Funding calculations reflect our understanding of the requirements of the Judges' Emoluments and Allowance Law, 2005 (2005 Order) and related regulations that are effective as of the valuation date. Mercer is not a law firm, and the analysis presented in this report is not intended to be a legal opinion. You should consider securing the advice of legal counsel with respect to any legal matters related to this report.

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Summary of Results

(000's)	01.01.2017	01.01.2017	01.01.2014
Discount Rate (ultimate rate)	**7.25%**	**6.25%**	**8%**
Financial Status			
Market value of DB assets	$5,199	$5,199	$4,503
Market value of DC assets - Judges	$1,224	$1,224	$547
Market Value of DC assets - Magistrates[1]	$144	$144	$0
Net assets available for benefits	$6,567	$6,567	$5,050
DC Account Balances	$1,368	$1,368	$547
Defined Benefit liabilities	$4,555	$4,981	$3,345
Total DB and DC Liabilities	$5,923	$6,349	$3,892
Funding excess (shortfall)	$644	$218	$1,158
Funded Ratio (DB Only)	114%	104%	135%
Funded Ratio (DB and DC Combined)	111%	103%	130%
Funding Requirements in the Year Following the Valuation			
Employees' required DB contributions	n/a	n/a	$45
Estimated employer's DB normal cost	n/a	n/a	$0
Expense allowance	$0	$0	$0
Employer DB normal cost inclusive of expense allowance	$0	$0	$0
Total DB contributions (employee + employer)	$0	$0	$45
Employer's cost as a % of DB pay	n/a	n/a	0.00%
Employee contribution as a % of DB pay	n/a	n/a	10.00%
Total DC (employee + employer)	$205	$205	$123
Total DC cost as a % of DC pay	30.00%	30.00%	30.00%

[1] Includes in transit amount owing of $112,000 as at December 31, 2016

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Introduction

To the Public Service Pensions Board (the “Board”)

At the request of the Board we have conducted an actuarial valuation of the Judicial Pension Plan (the “Plan”), as at January 1, 2017, in accordance with the current Judges’ Emoluments and Allowance Law of the Cayman Islands. We are pleased to present the results of the valuation.

Purpose

The purposes of this valuation are:

- Determine the funded status of the Plan as at January 1, 2017.
- Measure ability of the fund to meet its long term liabilities based on current contribution rates, in accordance with Section 10 of the Judges’ Emoluments and Allowance Order, 2005, hereinafter referred to as the 2005 Order.
- If not so capable, determine the contribution rates that would be required to reinstate the capability.

The information contained in this report was prepared for the internal use of the Board for determining the funding requirements of the Plan. This report is not intended or suitable for any other purpose.

All amounts shown here in are in respect of Cayman Dollars.

Terms of Engagement

In accordance with our terms of engagement with the Board, our actuarial valuation of the Plan is based on the following material terms:

- It has been prepared in accordance with the 2005 Order
- It has been prepared assuming that the Plan will continue indefinitely
- It has been prepared using best estimate assumptions proposed by Mercer and approved by the Board, adjusted as follows based on instructions from the Board:
  - we have not reflected a margins for adverse deviations; and
  - we reflected an additional allowance in our discount rate for active management investment outperformance of 1% per annum, which is consistent with the historic returns earned by the Plan over the past 10 years

  Results have been presented using a discount rate of 7% for the first year, 6.625% for the second year and an ultimate rate of 6.25% per year thereafter (which does not include this allowance for future active management outperformance) and 8% for the first year, 7.625% for the second year and an ultimate rate of 7.25% per year thereafter (which does reflect the allowance for future active management outperformance).

- The employer funding requirements have been determined by reflecting the Board’s decision to amortize past service actuarial deficiencies that arise over 20 years.

- The Board's decision to update the assumptions used to determine the commutation factor table, PV2 for the value of participant's immediate pension has been reflected in this valuation.

Events since the Last Valuation at January 1, 2014

Although no employer contributions in respect of the Defined Benefit (DB) provisions of the Plan were required based on the January 1, 2014 actuarial valuation report, the employer contributed $0.36 million during the period January 1, 2014 to December 31, 2016.

We have been advised by PSPB that a portion of the contributions remitted by the government was in respect of non-pensionable earnings and the amount is refundable to the government. The amount totals $57,000. For purposes of the valuation, the amount is currently reflected in the assets of the JPP. Once refunded, the JPP assets will be adjusted in future valuations to reflect the refund.

Pension Plan

This valuation reflects the provisions of the Plan as at January 1, 2017, inclusive of the Judges Emoluments and Allowances (Amendment) Order, 2018.

We understand that the Plan has been amended to add three (3) magistrates to the Defined Contribution (DC) portion of the Plan, effective January 1, 2016. These members were formerly in the DC part of the Public Service Pensions Plan (PSPP) and contributed in accordance with that plan's DC rate.

We understand that the magistrates' accumulated DC balances for the period post January 1, 2016 will be transferred from the PSPP to the Plan. This amount is $32,000 at December 31, 2016. In addition, an amount will be remitted to the Plan by the government to account for the difference between their contribution rates as JPP member versus the DC rates at which they are currently contributing. The amount owing as at December 31, 2016 is $112,000, and continues to grow until paid.

We have reflected both pieces of the magistrates DC account balances in this valuation.

The addition of these individuals has no impact on the DB component of the Plan.

Apart from the above, we are not aware of any pending definitive or virtually definitive amendments coming into effect during the period covered by this report. The Plan provisions are summarized in Appendix D.

Assumptions

We have used the same valuation assumptions and methods as were used for the previous valuation, except for the following:

	Current valuation	Previous valuation
Discount rate	8% for first year, 7.625% for year 2, and 7.25% thereafter	8%
Current mortality rates:	RP-2014 scaled back to 2006 and generationally projected from 2006 based on Scale MP-2016	UP94 projected to 2014 based on Scale BB
Future mortality improvements:	MP-2016	Scale BB
Inflation:	2.00%	2.50%
Pensionable earnings increases:	3.00%	3.50%
Post-retirement pension increases:	2.00%	2.50%

A summary of the valuation methods and assumptions is provided in Appendix B.

Subsequent Events

Subsequent to the valuation date, the last active member of the Plan retired with a retroactive retirement date prior to the valuation date. In accordance with the Judges Emoluments and Allowances (Amendment) Order, 2018, the member retroactively retired September 1, 2015, the date the member achieved his maximum pension accrual under the Plan. The impact of this change as at January 1, 2017 was $431,000, and it has been reflected in the valuation.

In addition, we understand that the contributions remitted to the Plan by the member since September 1, 2015 will be refunded. The amount is $33,000 as at January 1, 2017, and has been reflected in the valuation.

After checking with representatives of the Board, to the best of our knowledge there have been no other events subsequent to the valuation date which, in our opinion, would have a material impact on the results of the valuation. Our valuation reflects the financial position of the Plan as of this valuation date and does not take into account any experience after the valuation date, except as noted herein.

3

Valuation Results

Financial Status

This valuation compares the relationship between the value of Plan assets and the present value of expected future benefit cash flows in respect of accrued service.

The results of the current valuation based on a discount rate of 8% for the first year, 7.625% for the second year and 7.25% per year thereafter as well as sensitivity at a discount rate of 7% for the first year, 6.625% for the second year and 6.25% per year thereafter, compared with those from the previous valuation, are summarized below:

(000's)	**01.01.2017**	**01.01.2017**	**01.01.2014**
Discount rate (ultimate rate)	7.25%	6.25%	8%
Assets			
Market value of assets – DB[2]	$5,199	$5,199	$4,503
Market value of assets – DC Judges	$1,224	$1,224	$547
Market value of assets – DC Magistrates	$32	$32	$0
In transit DC contributions - Magistrates	$112	$112	$0
Net assets available for benefits	$6,567	$6,567	$5,050
Funding target			
• Active members	$0	$0	$2,977
• Pensioners and survivors	$4,551	$4,981	$368
Total DB Liabilities	$4,555	$4,981	$3,345
DC Account Balances – Judges	$1,224	$1,224	$547
DC Account Balances – Magistrates[3]	$144	$144	$0
Total past service liability	$5,923	$6,349	$3,892
Funding excess (shortfall)	$644	$218	$1,158
Total Funding Ratio (DB +DC)	111%	103%	130%
DB Funding Ratio	114%	104%	135%

The funding target is based on best-estimate assumptions and does not include a provision for adverse deviations.

[2] Amount is net of contribution refund of $33,000 owing to retired member

[3] Includes amount owing of $112,000 as at December 31, 2016

Reconciliation of Financial Status

The reconciliation of the funded position of the Plan from the prior valuation as at January 1, 2014 to January 1, 2017 is shown below.

Funding excess (shortfall) as at previous valuation		$1,158
Interest on funding excess (shortfall) at 8% per year		$301
Employer contribution to the plan in excess of amount requires		$363
Application of Surplus towards DB current service cost		($268)
Expected funding excess (shortfall)		$1,554
Net experience gains (losses)		
• Investment return	($557)	
• Increases in pensionable earnings	$173	
• Indexation	$14	
• Mortality	($45)	
• Retirement	($41)	
Total experience gains (losses)		($456)
Impact of changes in assumptions		
• Mortality	$60	
• Inflation and post-retirement pension increases	$173	
• Administrative table commutation factors update	($33)	
Total assumption changes impact		$200
Net impact of other elements of gains and losses		$1
Impact of discount rate change from 8% to 8% for first year, 7.625% for second year, 7.25% thereafter		($224)
Impact of retroactive retirement provision		(431)
Funding excess (shortfall) as at current valuation at Jan 1, 2017 – 8% for first year, 7.625% for second year, 7.25% thereafter		$644
Impact of 1% reduction in discount rate to 7% for first year, 6.625% for second year, 6.25% thereafter		($426)
Funding excess (shortfall) as at current valuation at Jan 1, 2017 – 7% for first year, 6.625% for second year, 6.25% thereafter		$218

Future Benefit Cost

There are no active DB members in the plan, therefore the normal cost is nil.

4

Contribution Requirements

The Board has established an objective that the Plan be fully funded in 20 years from the valuation date. The Plan is currently fully funded, as such, in accordance with the Board's objective; contributions should be made as described in the table below (results shown under both discount rate assumptions). The contributions recommended in the previous valuation are shown for comparison:

	Jan 1, 2017	Jan 1, 2017	Jan 1, 2014
Discount rate (ultimate rate)	***7.25%*** [4]	***6.25%*** [5]	***8%***
Defined Contribution (DC) Part of the Plan			
Employee contributions (% of pay)	10%	10%	10%
Employer required contributions (% of DC payroll)	20%	20%	20%
Defined Benefit (DB) Part of the Plan			
Employee contributions (% of DB pay)	n/a	n/a	10.0%
Employer normal cost (% of DB pay)	0%	0%	0%

An estimate of the contributions that would be required in the three years following the valuation, assuming salaries increased at a rate of 3% per annum, are shown in the table below:

(000's)	2017	2018	2019
Defined Contribution Part of the Plan			
Employee contributions	$68	$70	$72
Employer required DC contributions	$136	$140	$144
Total employee and employer contributions	$204	$210	$216
Defined Benefit (DB) Part of the Plan [6]			
Employee DB annual contributions	n/a	n/a	n/a
Employer required DB contributions	n/a	n/a	n/a
Total employee and employer DB contributions	n/a	n/a	n/a
Total Plan (DB + DC)			
Employee annual contributions (DB+ DC)	$68	$70	$72
Total Employer required contributions (DB +DC)	$136	$140	$144

The DB Part of the Plan has a surplus as at January 1, 2017, **hence no further Employer DB contributions are required to fund the DB accrual, until the next valuation review**. Any contribution level adopted by the Board for recommendation to Cabinet must at minimum meet the 2005 Order Section 10 test. The above contributions would meet those requirements.

[4] 8% for first year, 7.625% for second year and 7.25% thereafter

[5] 7% for first year, 6.625% for second year and 6.25% thereafter

[6] There are no active DB members

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Actuarial Opinion

In our opinion, for the purposes of the valuations,

- The membership data on which the valuation is based are sufficient and reliable.
- The assumptions are appropriate.
- The methods employed in the valuation are appropriate.

This report has been prepared in accordance with our Terms of Engagement and the Caribbean Actuarial Association Standards of Practice – APS3.

Except as noted herein, this report has been prepared, and our opinions given, in accordance with accepted actuarial practice.

Angelita Graham
Fellow of the Society of Actuaries
Fellow of the Canadian Institute of Actuaries

March 6, 2018

Date

Manuel Monteiro
Fellow of the Society of Actuaries
Fellow of the Canadian Institute of Actuaries

March 6, 2018

Date

APPENDIX A

Plan Assets

The Defined Benefit assets as well as the Defined Contribution assets of the Plan are held as a part of the Public Service Pension Fund ("the Fund") and managed by the PSPB. The assets of two other pension plans, Public Service Pensions Plan and the Parliamentarian Pension Plan, are pooled together to constitute the Fund.

The assets are notionally allocated to each of the three participating pension plans through an internal accounting mechanism that tracks, for each accounting period, actual cash flows and allocates investment income and expenses in proportion to the opening value of assets allocated.

The valuations are based on the asset information provided to us by PSPB. The Fund assets are held in trust by CIBC Mellon. We have relied on the data provided to us by PSPB without further audit. Customarily, this information would not be verified by a plan's actuary. To the extent that the data provided changes, the results herein may also change.

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Reconciliation of Market Value of Fund

The Fund transactions since the last valuation are summarized in the following table:

	2014	2015	2016
January 1	$447,210,481	$486,847,034	$516,486,619
PLUS			
Member contributions	$14,878,285	$13,374,445	$13,643,592
Employer contributions	$29,957,684	$28,807,422	$47,513,286
Investment earnings	$35,865,961	$27,544,010	$32,963,891
	$80,701,930	$69,725,877	$94,120,769
LESS			
Benefits paid	$32,616,227	$32,355,247	$34,760,143
Administration and investment fees	$8,449,150	$7,731,045	$7,930,951
	$41,065,377	$40,086,292	$42,691,094
December 31	$486,847,034	$516,486,619	$567,916,294
Gross rate of return[7]	7.99%	5.65%	6.27%
Rate of return net of expenses[8]	6.05%	4.03%	4.73%

[7] Assuming mid-period cash flows.

[8] Assuming mid-period cash flows.

The notional asset value allocated to the Plan as at December 31, 2016 was $6,456,064. In determining the notional assets allocated to the Plan as at December 31, 2016, we started with the asset value disclosed in the prior valuation report as at January 1, 2014, and adjusted for the Plan's cash flow, and allocated investment income based on the investment returns earned by the Fund over the 3-year period.

The table below shows the reconciliation of the allocated market value of assets for the Judicial Pension Plan (DB plus DC) only:

	2014	**2015**	**2016**
January 1	$5,050,343	$5,624,898	$5,992,106
PLUS			
Member contributions	$86,091	$79,092	$79,502
Employer contributions	$218,877	$184,096	$240,886
Investment earnings	$409,908	$318,915	$378,403
	$714,876	$582,103	$698,791
LESS			
Benefits paid	$44,905	$125,573	$142,821
Administration and investment fees	$95,416	$89,322	$92,012
	$140,321	$214,895	$234,833
December 31 market value (before adjustments for in transit amounts and payables)	$5,624,898	$5,992,106	$6,456,064
Gross rate of return[9]	7.99%	5.65%	6.27%
Rate of return net of expenses[10]	6.07%	4.03%	4.71%

The DC asset value at each year-end is equal to the accumulated account balance with interest at each year end in respect of the DC members. As such, the DC asset value as at January 1, 2017 in respect of the Judges is determined to be $1,223,825 based the DC account balances provided by PSPB. In addition there is $144,000 of DC funds to be remitted to the Plan in respect of the 3 magistrates who joined the Plan effective January 1, 2016, based on the information provided by PSPB. The total resulting DC assets of the Plan is $1.368M of DC assets as at January 1, 2017.

As at January 1, 2017 there is a DB amount payable of $33,000 in respect of a refund of member contributions. The DB assets as at January 1, 2017 net of the member refunded is $5,199,400.

[9] Assuming mid-period cash flows.

[10] Assuming mid-period cash flows.

Investment Policy

The PSPB has adopted a statement of investment policy and procedures. This policy is intended to provide guidelines for the managers as to the level of risk that is consistent with the Plan's investment objectives. A significant component of this investment policy is the asset mix.

The PSPB is solely responsible for selecting the plan's investment policies, asset allocations, and individual investments.

The investment policy was updated December 11, 2015. The target asset mix and the actual asset mix at the valuation date are provided for information purposes:

	Investment Policy			Actual Asset Mix as at January 1, 2017
	Minimum	**Target**	**Maximum**	
Equities	55%	80%	85%	78%
Fixed Income	15%	20%	45%	21%
Cash and cash equivalents	0%	0%	5%	1%
		100%		100%

APPENDIX B

Methods and Assumptions – Going Concern

Valuation of Assets

For this valuation, we have used the market value of assets.

Going Concern Funding Target

Over time, the real cost to the employer of a pension plan is the excess of benefits and expenses over member contributions and investment earnings. The actuarial cost method allocates this cost to annual time periods.

For purposes of the going concern valuation, we have continued to use the projected unit credit actuarial cost method. Under this method, we determine the present value of benefit cash flows expected to be paid in respect of service accrued prior to the valuation date, based on projected final average earnings. This is referred to as the funding target.

The funding excess or funding shortfall, as the case may be, is the difference between the market or smoothed value of assets and the funding target. A funding excess on a market value basis indicates that the current market value of assets and expected investment earnings are expected to be sufficient to meet the cash flows in respect of benefits accrued to the valuation date as well as expected expenses – assuming the plan is maintained indefinitely. A funding shortfall on a market value basis indicates the opposite – that the current market value of the assets is not expected to be sufficient to meet the plan's cash flow requirements in respect of accrued benefits, absent additional contributions.

The actuarial cost method used for the purposes of this valuation produces a reasonable matching of contributions with accruing benefits. Because benefits are recognized as they accrue, the actuarial cost method provides an effective funding target for a plan that is maintained indefinitely.

Future Benefit Cost

There are no active DB members in the plan, therefore the normal cost is nil.

Actuarial Assumptions – Going Concern Basis

The present value of future benefit payment cash flows is based on economic and demographic assumptions. At each valuation we determine whether, in our opinion, the actuarial assumptions are still appropriate for the purposes of the valuation, and we revise them, if necessary. Emerging experience will result in gains or losses that will be revealed and considered in future actuarial valuations.

The table below shows the various assumptions used in the current valuation in comparison with those used in the previous valuation.

Assumption	Current valuation	Previous valuation
Discount rate:	7.00% for the first year, 6.625% for the second year, 6.25% thereafter/ 8.00% for the first year, 7.625% for the second year, 7.25% thereafter	7.00%/8.00%
Inflation:	2.00%	2.50%
Pensionable earnings increases:	3.00%	3.50%
Post-retirement pension increases:	2.00%	2.50%
Retirement rates DB:	N/A	Justice Smellie: Age 65 Justice Henderson: Age 70
Termination rates:	None	None
Election for 25% commutation of pension:	100% election	100% election
Mortality rates:	100% of the rates of the RP-2014 Mortality Table scaled back to 2006 using Scale MP-2016	100% of the rates of the 1994 Uninsured Pensioner Mortality Table projected to 2014 using Scale BB
Mortality improvements:	Fully generational using Scale MP-2016	Fully generational using Scale BB
Disability rates:	None	None
Eligible spouse at retirement:	same as prior valuation	Actual marital status has been used
DC Annuity Conversions:	Same as prior valuation	Assumed to be cost neutral; liabilities recognized once members retires

The assumptions are best-estimates and do not include a margin for adverse deviations.

Pensionable Earnings

The entitlements ultimately paid will depend on each member's final earnings. To calculate the pension benefits payable upon retirement, death, or termination of employment, we have taken monthly earnings and assumed that such pensionable earnings will increase at the assumed rate.

Sample Annual Commutation Factors

Age	Annual Rates
60	172.91
61	170.13
62	167.26
63	164.30
64	161.24
65	158.07

Rationale for Assumptions

A rationale for each of the assumptions used in the current valuation is provided below.

Discount Rate

We have discounted the expected benefit payment cash flows using the expected investment return on the market value of the fund. Other bases for discounting the expected benefit payment cash flows may be appropriate, particularly for purposes other than those specifically identified in this valuation report.

The discount rate is comprised of the following:

- Estimated returns for each major asset class consistent with market conditions on the valuation date and the target asset mix specified in the Plan's investment policy
- Additional returns assumed to be achievable due to active equity management, equal to the fees related to active equity management. Such fees were determined by the difference between the provision for total investment expenses and the hypothetical fees that would be incurred for passive management of all assets.
- Implicit provision for investment expenses determined as the average rate of investment expenses paid from the fund over the last 4 years

The discount rate was developed as follows:

Assumed investment return	6.35%
Investment expense	(0.70%)
Added value from manager selection	0.60%
Margin for adverse deviation	0.00%
Net interest rate	6.25%
Additional allowance for added value from Manager selection	1.00%
Net discount rate[11]	7.25%

Inflation

Based on market expectation of long-term inflation implied by the yield captured in U.S. Treasury prices at the valuation date.

Pensionable Earnings

This is a long term view of salary increases, based on the underlying inflation assumption plus the Board's best estimate assumption of general salary growth, merit and promotional increases of 1%.

Post-Retirement Pension Increases

The assumption is based on the Plan formula and inflation assumption above.

Retirement Rates

Consistent with expectations of the PSPB.

Termination Rates

Use of a different assumption would not have a material impact on the valuation.

[11] 8% for first year, 7.625% for second year, 7.25% thereafter.

Mortality Rates

The assumption for the mortality rates is based on the U.S. 2014 Retirement Plans' Mortality Table scaled back to 2006, generationally projected from 2006 using Scale MP-2016.

Recent mortality studies in the U.S. and Canada show that people are living longer. New mortality tables have been issued by U.S. and Canada. The mortality table has been updated to better reflect actual mortality improvement rates experienced in the U.S. over the last 20 years.

There is broad consensus amongst longevity experts that mortality improvement will continue in the future. In the U.S., the future mortality improvement scale has been updated to Scale MP-2016 from Scale BB, as the best estimate assumption for use in valuing retirement liabilities

Disability Rates

Use of a different assumption would not have a material impact on the valuation.

Eligible Spouse

The member is currently married.

APPENDIX C

Membership Data

Analysis of Membership Data

The actuarial valuation is based on membership data as at January 1, 2017, provided by PSPB.

We have applied tests for internal consistency, as well as for consistency with the data used for the previous valuation. These tests were applied to membership reconciliation, basic information (date of birth, date of hire, date of membership, gender, etc.), pensionable earnings, credited service, contributions accumulated with interest, and pensions to retirees and other members entitled to a deferred pension. Contributions, lump sum payments, and pensions to retirees were compared with corresponding amounts reported in financial statements. PSPB was queried in order to resolve inconsistent data elements. The PSPB provided confirmation that the final data, incorporating query responses, was appropriate for the purpose of the valuations.

If the data supplied are not sufficient and reliable for its intended purpose, the results of our calculation may differ significantly from the results that would be obtained with such data. Although Mercer has reviewed the suitability of the data for its intended use in accordance with accepted actuarial practice in Canada, Mercer has not verified or audited any of the data or information provided.

Plan membership data are summarized below. For comparison, we have also summarized corresponding data from the previous valuation.

	01.01.2017	01.01.2014
Active Members - DB		
Number	0	2
Total annual payroll	n/a	$451,651
Average years of pensionable service	n/a	15.42
Average age	n/a	65.18
Active Members – DC		
Number	3	2
Total annual payroll	$683,629	$410,410
Total Account Balance	$1,223,825	$547,328
Average age	57.71	57.44
Active Magistrates Transferred from PSPP – DC		
Number	3	0
Total annual payroll	$469,577	n/a
Account balance to be transferred from PSPP	$32,000	n/a
Accumulated DC amount owing	$112,000	n/a
Average age	51.32	n/a
Number	0	0
Annual deferred pension	$0	$0
Average age	n/a	n/a
Pensioners and Survivors		
Number	3	1
Total annual pension	$389,473	*
Average age	75.01	n/a

The membership movement for all categories of membership since the previous actuarial valuation is as follows:

	Active DB	***Active DC***	***Retirees***	***Total***
Jan. 1, 2014	**2**	**2**	**1**	**5**
New Entrants		1		1
Transfer from PSPP		3		3
Retirements	(2)		2	0
Jan. 1, 2017	**0**	**6**	**3**	**9**

APPENDIX D

Principal Provisions of the Defined Benefit Part of the Judicial Pension Plan

		Judicial Pension Plan
1.	*Eligibility:*	Only the following are eligible participants: Chief Justice Anthony Smellie Justice Alexander Henderson Justice George Harre
2.	*Pensionable Service:*	Service as a Judge of the Grand Court.
3.	*Pensionable Earnings:*	Annual base salary while serving as a Judge of the Grand Court.
4.	*Final Pensionable Earnings:*	Average of Pensionable Earnings over the final 36 months prior to retirement, resignation, death or disability.
5.	*Participant Contributions:*	10% of Pensionable Earnings.
6.	*Government Contributions:*	To be determined by actuarial valuations.
7.	*Normal Retirement Age:*	Age 65.
8.	*Eligibility for Retirement Pension:*	After eight years of judicial service and attaining Normal Retirement Age or after completing 20 years' of judicial service.
9.	*Retirement Benefits*	
	a. Pension at Retirement -	Annual pension equals to 1/300 times the number of completed months of Pensionable Service times final Pensionable Earnings. The pension cannot exceed 4/5ths of Final Pensionable Earnings. For months of service prior to September 1997, the pension factor will be 1/600 per month rather than 1/300 per month. However, if the member repays all gratuities received during judicial service, then the pension factor for service prior to September 1997 will be the original 1/300 per month.
	b. Commutation -	Up to ¼% of the retirement pension can be commuted for a lump sum. The pension to lump sum conversion will be determined by the plan's actuarial factors.
	c. Pension Increases -	Pensions in payment may be adjusted annually to match annual cost-of-living increases up to 5% and on a sliding scale thereafter.
	d. Early Retirement -	Allowed from age 55 subject to completing either or more years of judicial service. For retirements prior to age 60, the benefits will be reduced in accordance with the Plan actuarial tables.

10.	*Benefits on Death After Retirement or While Eligible to Retire:*	A spouse's pension equal to 50% of the pensioner's benefit. An additional equivalent amount is divided equally among any children under the age of 18 or 23 (if in full-time education).
11.	*Benefits on Disablement:*	A pension based on accrued normal retirement pension is payable upon receipt of medical evidence of permanent disability and incapacity to perform duties. An additional pension is payable to an officer who is permanently injured in discharge of duty equal to one-third of the participant's Final Pensionable Earnings.
12.	*Benefits on Death in Service:*	A spouse's pension equal to 50% of the member's pension accrued as of the date of death, based on pay and service at the date of death. Each child is entitled to a monthly pension equal to one-half of the participant's accrued pension divided by the number of children left by the participant. The payment tis payable up to age 18 or 23 (for child in full-time education). In addition, there will be paid an amount equal to the excess, if any, of the greater of (a) a lump sum equal to 12 months' Pensionable Earnings, or (b) the participant's contribution account balance over the actuarially equivalent present value of the pension benefits payable to the beneficiaries. An additional pension is paid to the beneficiaries of participants killed as a result of injuries received while in the actual discharge of duty.
13.	*Termination Benefits:*	Provided the service requirements are satisfied upon termination, a participant who terminates his employment can expect to receive a pension commencing at age 55, based on benefits accrued at the time of termination. The pension has the same features of commutation, post-retirement death benefit, and post-retirement pension increases as for active employees eligible for retirement benefits.
14.	*Other Benefits (Not Valued):*	None.

APPENDIX E

Employer Certification

With respect to the Report on the Actuarial Valuation for Funding Purposes as at January 1, 2017 of the Judicial Pension Plan, I hereby certify that, to the best of my knowledge and belief:

- The valuation reflects the terms of the Board's engagement with the actuary described in section 2 of this report.
- A copy of the official plan documents and of all amendments made up to January 1, 2017 was provided to the actuary and is reflected appropriately in the summary of plan provisions contained herein.
- The asset information summarized in Appendix A is reflective of the Plan's assets.
- The membership data provided to the actuary included a complete and accurate description of every person who is entitled to benefits under the terms of the Plan for service up to January 1, 2017 and are appropriate for purposes of the valuation.
- All events subsequent to January 1, 2017 that may have an impact on the Plan have been communicated to the actuary.

Date	Signed
	Name

MERCER
MAKE TOMORROW, TODAY

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