



## **The Tourism Workers Pension Scheme**

Financial Statements  
December 31, 2022

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# The Tourism Workers Pension Scheme

December 31, 2022

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# Independent Auditor's Report

To the Trustees of  
The Tourism Workers Pension Scheme

## **Report on the Audit of the Financial Statements**

### Opinion

We have audited the financial statements of The Tourism Workers Pension Scheme (“the Scheme”), which comprise the Statement of Net Assets Available for Benefits as at December 31, 2022, and the related Statement of Changes in Net Assets Available for Benefits for the year then ended and notes to the financial statements including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Scheme as at December 31, 2022, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and the requirement of The Tourism Workers Pensions Act, 2019.

### *Basis for Opinion*

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Scheme in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### *Responsibilities of Trustees and Management for the Financial Statements*

The Trustees and Management are responsible for the preparation of financial statements that give a true and fair view in accordance with IFRS and The Tourism Workers Pension Act, 2019 (“the TWP Act”) and for such internal control as the Trustees and Management determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, the Trustees and Management are responsible for assessing the Scheme's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Trustees and Management either intend to liquidate the Scheme or to cease operations, or have no realistic alternative but to do so.

The Trustees are responsible for overseeing the Scheme's financial reporting process.

Partners: Sixto P. Coy, Karen A. Lewis

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## Independent Auditor's Report (cont'd)

To the Trustees of  
The Tourism Workers Pension Scheme

### **Report on the Audit of the Financial Statements (cont'd)**

#### *Auditor's Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

## Independent Auditor's Report (cont'd)

To the Trustees of  
The Tourism Workers Pension Scheme

### **Report on the Audit of the Financial Statements (cont'd)**

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

### **Report on Other Legal and Regulatory Requirements**

As required by The Tourism Workers Pension Act, 2019, we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

In our opinion, proper accounting records have been kept, so far as appears from our examination of those records, and the accompanying financial statements are in agreement therewith and give the information required by the TWP Act in the manner required.

The engagement partner on the audit resulting in this independent auditor's report is Sixto Coy.

Kingston, Jamaica

July 24, 2023

Chartered Accountants


# The Tourism Workers Pension Scheme

## Statement of Net Assets Available for Benefits

December 31, 2022

	Note	2022 \$'000	2021 \$'000
<b>Assets</b>			
<b>Investments</b>			
Sagicor Pooled Pension Investment Funds	(4)	1,001,144	505,843
Domestic Corporate Bonds	(4)	170,800	-
		<b>1,171,944</b>	<b>505,843</b>
<b>Other assets</b>			
Contributions receivable	(5)	40,222	-
Bank		10,171	3,005
Other receivables		23	-
		<b>50,416</b>	<b>3,005</b>
<b>Total assets</b>		<b>1,222,360</b>	<b>508,848</b>
<b>Liabilities</b>			
Payables and accruals	(6)	4,554	7,148
<b>Total liabilities</b>		<b>4,554</b>	<b>7,148</b>
<b>Net assets available for benefits</b>	(7)	<b>1,217,806</b>	<b>501,700</b>

Approved for issue by the Board of Trustees on July 24, 2023 and signed on its behalf by:

  
 \_\_\_\_\_ ) Trustee  
**Ryan Parkes**

  
 \_\_\_\_\_ ) Trustee  
**Daisy Coke**

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

# The Tourism Workers Pension Scheme

## Statement of Changes in Net Assets Available for Benefits

Year ended December 31, 2022

	Note	2022 \$'000	2021 \$'000
<b>Additions to assets attributed to:</b>			
<b>Contributions:</b>			
Members'- Mandatory		155,801	-
- Voluntary		109,828	-
Transfers- in		3,097	-
<b>Total Members' contributions</b>		<b>268,726</b>	<b>-</b>
Tourism Operators'		153,167	-
<b>Total contributions</b>		<b>421,893</b>	<b>-</b>
<b>Endowment Fund – Instalment payment</b>	(8)	<b>250,000</b>	<b>200,000</b>
<b>Investment income and net gains on investments</b>			
Change in market value of Sagicor Pooled Pension			
Investment Funds		62,127	45,226
Interest income		473	-
Other income		81	17
<b>Total investment income and net gains on investments</b>		<b>62,681</b>	<b>45,243</b>
<b>Total income</b>		<b>734,574</b>	<b>245,243</b>
<b>Deductions from net assets attributable to:</b>			
<b>Administrative expenses</b>			
Auditors' remuneration		850	450
Bank charges		117	13
Investment management fees		2,656	2,366
Irrecoverable General Consumption Tax		400	-
Trustees' fees		2,838	1,180
Meeting expenses		146	-
General expenses		1,879	-
<b>Total administrative expenses</b>		<b>8,886</b>	<b>4,009</b>
<b>Administration fees</b>		<b>9,582</b>	<b>-</b>
<b>Total deductions</b>		<b>18,468</b>	<b>4,009</b>
<b>Net increase in net assets</b>		<b>716,106</b>	<b>241,234</b>
<b>Net assets available for benefits at beginning of year</b>		<b>501,700</b>	<b>260,466</b>
<b>Net assets available for benefits at end of year</b>	(7)	<b>1,217,806</b>	<b>501,700</b>

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

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# The Tourism Workers Pension Scheme

## Notes to the Financial Statements

December 31, 2022

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### 1. General information

The Scheme was established pursuant to the Tourism Workers Pension Act, 2019. Its purpose is to provide retirement and ancillary benefits for tourism workers and self-employed tourism workers in Jamaica. The Scheme's Administrator is Guardian Life Limited and its Investment Manager is Sagicor Life Limited.

There were ninety-one (91) Tourism Operators with five thousand two hundred and forty-three (5,243) employed tourism workers and one hundred and eighty-seven (187) self-employed tourism workers participating in the Scheme.

The Scheme is a defined contribution pension plan.

#### Contributions to and membership of the Scheme

The Tourism Operators and tourism workers contribute at a rate of three percent (3%) of members' earnings for the first three years following the date of commencement of the Act and five percent (5%) of the earnings of the tourism workers thereafter.

A member may elect to make voluntary contributions to the Scheme by submitting written notice to the Board in the prescribed form. The aggregate contributions to the Scheme in respect of each member in any year including where applicable, contributions made on behalf of members by a Tourism Operator, shall not exceed the limit imposed under the Income Tax Act in respect of ordinary annual contributions to an approved pension plan.

The Board may accept a transfer to the Scheme of any or all of the assets from an approved pension plan on behalf of a member of the Scheme. Consequent on the payment of his/her transfer value into the Scheme the member shall be entitled to benefits under the Scheme, in lieu of benefits from the approved pension plan from which the transfer was made.

Credited interest shall be payable on all contributions made to the Scheme and shall begin to accrue on the date on which contributions are received into the Scheme.

The following persons are eligible to become members of the Scheme-

- (i) a tourism worker who, at the date of commencement of this Act, is over eighteen years but has not attained the age of sixty years, and is not a member of an approved pension plan;
- (ii) a person who is over eighteen years but under sixty years and becomes a tourism worker after the date of commencement of this Act; and
- (iii) a self-employed tourism worker upon the approval by the Board of application for membership in accordance with section 17.
- (iv) a person shall not be eligible for membership in the Scheme unless such person is ordinarily resident in Jamaica for a continuous period of not less than six months prior to the date of admission into the Scheme.
- (v) A tourism worker who satisfies the criteria set out (i) or (ii) above shall become a member of the Scheme upon the first deduction of a contribution from the earnings of the tourism worker by the Tourism Operator for payment into the Scheme.
- (vi) A self-employed tourism worker who wishes to become a member of the Scheme shall make an application to the Board in the prescribed form. The Board shall review the application and notify the self-employed tourism worker of its decision.



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# The Tourism Workers Pension Scheme

## Notes to the Financial Statements

December 31, 2022

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### 1. General information (cont'd)

#### Vesting and retirement benefits

The contributions paid by or on behalf of a member shall immediately vest in the member.

The Board shall apply the balance of the Member's Retirement Savings Account at the date of retirement to purchase an annuity for the member, or otherwise secure the pension of the member.

The normal annuity purchased by the Board for the member shall commence at the date of retirement of the member and shall be payable monthly for the lifetime of the member with guaranteed payments of sixty months (hereinafter to be referred to as the "normal annuity"). Notwithstanding the forementioned, a member shall have the right to elect in lieu of the normal annuity, that his/her Member's Retirement Savings Account be applied in one or more of the following ways—

- (a) a portion of the annuity be commuted and a lump sum be paid with a reduced annuity;
- (b) a part of the annuity be surrendered and paid to the member upon retirement for the purchase of an annuity upon the death of a spouse, or for a dependant who is expected to survive the member;
- (c) variation of the period for which the annuity payments are guaranteed to some other period to be chosen by the member, subject to the provisions of the Income Tax Act.

Where a member elects to commute a portion of the annuity and to receive a lump sum, the lump sum payment shall be made on the first date on which the pension becomes payable to the member, and shall not exceed the commuted value of one-quarter of the retirement savings account of the member at the date of retirement, or twelve and one-half times one-quarter of the annual annuity before commutation, whichever is higher.

If the annual annuity to be purchased for a retiring member does not exceed fifty per cent of the National Minimum Wage, then the member may elect in lieu of the annuity, a lump sum equal to the value of his/her Member's Retirement Savings Account at the date of his/her retirement .

The Board may augment the total of his/her Member's Retirement Savings account to an amount that is sufficient to purchase the prescribed minimum annual pension if the balance in his/her MRSA account at the date of retirement is insufficient to purchase the prescribed minimum annual pension. A member qualifies for said augmentation if:

- (i) He/she commenced participation in the Scheme at the date of commencement of the TWP Act;
- (ii) He/she elected normal or late retirement;
- (iii) He/he made regular and continuous contributions to the Scheme for a minimum of five (5) years prior to retirement; and
- (iv) The Member's Retirement Savings Account is insufficient to purchase the minimum annual pension unless the sum is increased.

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# The Tourism Workers Pension Scheme

## Notes to the Financial Statements

December 31, 2022

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### 1. General information (cont'd)

#### Vesting and retirement benefits (cont'd)

If a member or beneficiary has not claimed moneys or benefits payable under the Scheme, then no later than eight weeks after such moneys or benefits become payable, the Administrator shall make such inquiries as are reasonable, to locate the member or beneficiary, including where necessary, advertising for the location of the member or the beneficiary of the member as the case may be, on an annual basis in a local and overseas national daily newspaper.

### 2. Actuarial Valuation

Under the Act of the Scheme, an actuarial valuation should be carried out by the appointed actuaries once every three years.

### 3. Summary of accounting policies

The Scheme's financial statements have been prepared on an accrual basis and under the historical cost convention except for the revaluation of properties and equity investments.

These financial statements are expressed in Jamaican Dollars (J\$).

#### a Basis of preparation

These financial statements have been prepared in accordance with and comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

#### **Standards, interpretations and amendments to published standards effective in the current year**

Certain new standards, interpretations and amendments to existing standards have been published and became effective during the current financial year. The Scheme has assessed the relevance of all such new standards, interpretations and amendments and determined that none were relevant to the Scheme's financial statements.

#### **Standards, amendments and interpretations issued but not yet effective and have not been adopted early by the Scheme**

At the date of authorisation of these financial statements, several new standards, interpretations and amendments to existing standards have been issued, but were not effective at the statement of financial position date. The Scheme have assessed the relevance of all such new standards, interpretations and amendments, has determined none are expected to have a material impact on the Scheme's financial statements.

#### b Functional and presentation currency

The financial statements are prepared and presented in Jamaican dollars, which is the functional currency of the Scheme.

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# The Tourism Workers Pension Scheme

## Notes to the Financial Statements

December 31, 2022

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### 3. Summary of accounting policies (cont'd)

#### c Foreign currency translation

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of transactions.

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at the year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of changes in net assets available for benefits.

#### d Financial instruments

A financial instrument is any contract that gives rise to both a financial asset in one entity and a financial liability or equity of another entity.

For the purpose of these financial statements, financial assets comprise cash in bank, investment securities excluding quoted and unquoted equities and deposit on property, and other receivables excluding payments and General Consumption Tax receivable. Financial liabilities comprise Scheme payables and accrued charges.

#### e Revenue recognition

##### *Contributions*

Contributions will be recognised when they are due. Transfers - in will be recognized after approved funds are received.

#### f Expenses

Expenses are recognised in the Statement of Changes in Net Assets Available for Benefits on the accrual basis.

#### g Investments

Investments are measured at estimated fair value and fluctuations in fair values are reflected in the statement of changes in net assets available for benefits. If available, quoted market prices are used to determine fair value. Where there are no quoted market prices, fair values are estimated using a generally accepted alternative method such as discounted cash flows. The specific valuation basis for the various types of investments are:

- Fixed rate instruments are valued based on independent estimates of fair value. Domestic Corporate Bonds are based on prices quoted by relevant brokers. Where such prices cannot be determined, the bonds are carried at cost.
- Investments in units held in Sagicor Pooled Investment Funds Limited, a wholly owned subsidiary of Sagicor Life Jamaica Limited, are valued at fair value. The changes in fair values of the investments in the pooled funds are reflected as changes in unit values. The fair value of the Pooled Pension Investment Funds and therefore the unit values, are decided by the fund Manager, based on the fair value of the assets in each Pooled Pension Investment Fund or, if no fair value is clearly indicated for specific securities, the fund Manager determines a fair value for such securities using a generally accepted alternative method.

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# The Tourism Workers Pension Scheme

## Notes to the Financial Statements

December 31, 2022

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### 3. Summary of accounting policies (cont'd)

#### h Payables

Payables are recognised initially at fair value and subsequently stated at amortised cost.

#### i Impairment

The Scheme recognises loss allowances for ECLs on financial assets measured at amortised cost.

The Scheme measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- financial assets that are determined to have low credit risk at the reporting date; and
- other financial assets for which credit risk (i.e. the risk of default occurring over the expected life of the asset) has not increased significantly since initial recognition.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Scheme considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Scheme's historical experience and informed credit assessment and including forward-looking information.

The Scheme assumes that the credit risk on a financial asset has increased significantly if it is more than 90 days past due.

The Scheme considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Scheme in full, without recourse by the Scheme to actions such as realising security (if any is held); or
- the financial asset is more than 90 days past due.

The Scheme considers a financial asset to have low credit risk when the credit rating of the counterparty is equivalent to the globally understood definition of 'investment grade'.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Scheme is exposed to credit risk.

#### *Measurement of ECLs*

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Scheme expects to receive).

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# The Tourism Workers Pension Scheme

## Notes to the Financial Statements

December 31, 2022

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### 3. Summary of accounting policies (cont'd)

#### i Impairment (cont'd)

ECLs are discounted at the effective interest rate of the financial asset.

##### *Credit-impaired financial assets*

At each reporting date, the Scheme assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due; or
- it is probable that the borrower will enter bankruptcy or other financial reorganisation.

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

##### *Write-off*

The gross carrying amount of a financial asset is written off when the Scheme has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof.

#### j Critical accounting judgements and key sources of estimates uncertainty

The Scheme makes judgments and estimates concerning the future. Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The resulting accounting estimates will, by definition, seldom equal the related actual results. At December 31, 2022, in the opinion of the Investment Manager and Trustees, there are no risks that will cause a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

#### k Use of estimates and judgements

The preparation of financial statements in accordance with International Financial Reporting Standards requires the Trustees and Management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. These estimates are based on historical experience and Management's best knowledge of current events and actions. Actual results may differ from these estimates.

The main source of estimation relates to estimating the fair value of investments. There are no significant judgements that Management has made in the process of applying the accounting policies and that have a significant effect on the amounts recognised in the financial statements.

In addition, there are no significant sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment of the carrying amounts of assets and liabilities within the next financial year.

# The Tourism Workers Pension Scheme

## Notes to the Financial Statements

December 31, 2022

### 4. Investments

The investments in the Scheme and values thereof are:

	2022				2021			
	Units	Cost \$'000	Market value \$'000	%	Units	Cost \$'000	Market value \$'000	%
<b>Sagicor Pooled Pension Investment Funds (PIFs)</b>								
Pooled CPI	126,277	636,334	735,541	73.47	95,509	500,000	505,843	100
Pooled Equity	360	53,025	50,304	5.02	-	-	-	-
Pooled Foreign Currency	1,618	110,934	104,246	10.41	-	-	-	-
Pooled Mortgage & Real Estate	7,136	93,026	98,447	9.83	-	-	-	-
Pooled Money Market	1,772	25,149	12,606	1.26	-	-	-	-
<b>Total</b>		<b>918,468</b>	<b>1,001,144</b>	<b>100</b>		<b>500,000</b>	<b>505,843</b>	<b>100</b>
<b>Domestic Corporate Bonds</b>								
JMMB Unsecured FR 11.80% Tranche B Bond due 2026		20,000	20,000			-	-	-
JMMB Unsecured FR 12.30% Tranche C Bond due 2027		50,000	50,000			-	-	-
Mayberry Secured FR 12.00% Tranche IV Bond due 2026		100,000	100,000			-	-	-
<b>Total</b>		<b>170,000</b>	<b>170,000</b>			<b>-</b>	<b>-</b>	<b>-</b>
Interest receivable		-	799			-	-	-
<b>Total investments</b>		<b>1,088,468</b>	<b>1,171,944</b>			<b>500,000</b>	<b>505,843</b>	

# The Tourism Workers Pension Scheme

## Notes to the Financial Statements

December 31, 2022

### 5. Contributions

Contributions represent amounts contributed by and on behalf of members of the Scheme but not yet received at year end by the Investment Manager.

### 6. Payables and accruals

	2022 \$'000	2021 \$'000
Auditors' remuneration	1,750	900
Trustees' fees	-	2,316
Taxes withheld	-	772
Meeting expenses	120	-
Investment management fees	2,685	3,160
<b>Total</b>	<b>4,554</b>	<b>7,148</b>

### 7. Net assets available for benefits are funded by:

	2022 \$'000	2021 \$'000
<b>Endowment Fund</b>	700,000	450,000
Less: Expenses allocated to Endowment Fund	(12,941)	(7,170)
	<b>687,059</b>	<b>445,991</b>
Add: Accumulated interest and fair value gains	72,910	58,870
<b>Value of Endowment Fund at end of year</b>	<b>759,969</b>	<b>501,700</b>
<b>Members' Retirement Savings Accounts (MRSAs):</b>		
<b>Tourism Operators:</b>		
Contributions at beginning of the year	-	-
Add: Contributions for the year	153,167	-
	<b>153,167</b>	-
<b>Tourism Workers and Self-employed Tourism Workers:</b>		
Contributions at beginning of the year	-	-
Add: Mandatory and Voluntary contributions for the year	265,629	-
Transfers-in	3,097	-
	<b>268,726</b>	-
Less: Expenses allocated to MRSAs	(12,697)	-
	409,196	-
Add: Accumulated interest and fair value gains	48,641	-
<b>Value of MRSAs at end of year</b>	<b>457,837</b>	-
<b>Total value of Endowment Fund and MRSAs at end of year</b>	<b>1,217,806</b>	<b>501,700</b>

# The Tourism Workers Pension Scheme

## Notes to the Financial Statements

December 31, 2022

### 8. Endowment Fund – Instalment payments

The Scheme is to receive one billion dollars from the Government of Jamaica, to be paid in instalments, over a period not exceeding 4 years.

	2022 \$'000
Instalment payments comprise:	
Year ended December 31, 2020	250,000
Year ended December 31, 2021	200,000
Year ended December 31, 2022	250,000
	<u>700,000</u>

The purpose of this account is to allow the Board, upon approval of the Minister, to augment the total of his/her Member's Retirement Savings Account to an amount that is sufficient to purchase the prescribed Minimum Annual Pension in accordance with section 32 of the Tourism Workers Pension Act, 2019.

### 9. Yield on investments

The gross yield on investments is calculated by taking the average of investment assets at the beginning of the year and that at the end of the year, after accounting for investment income, the investment income is then expressed as a percentage of that figure.

Net yield is found, after excluding fair value and foreign exchange adjustments and deducting operating expenses.

	2022 %	2021 %
Gross yield	7.57	12.62
Net yield	<u>2.16</u>	<u>11.44</u>

Calculation of the above comprises the following:

	2022 \$'000	2021 \$'000
Opening Fund value	501,700	260,466
Closing Fund value	1,217,806	501,700
Investment income including fair value and foreign exchange adjustments	62,681	45,243
Investment and other income excluding fair value and foreign exchange adjustments	554	17
Expenses	<u>(18,468)</u>	<u>(4,009)</u>



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# The Tourism Workers Pension Scheme

## Notes to the Financial Statements

December 31, 2022

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### **10. Financial risk management**

The Scheme's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, interest rate risk and price risk), credit risk and liquidity risk. The Scheme's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Scheme's financial performance.

The Tourism Workers Pensions Act (the TWP Act), also requires the Board of Trustees to prepare and submit to the FSC for approval, a Statement of Investment Policies and Principles which articulates the risk framework for the Scheme and the asset allocation strategies to be employed for a twelve month period.

#### **Investment Manager**

The Investment Manager, Sagicor Life Jamaica Limited (SLJL) is responsible for managing the Scheme's investment portfolio. SLJL is also primarily responsible for the liquidity risks of the Scheme. The Investment Manager identifies, evaluates and manages financial risks in close co-operation with the Scheme's Trustees.

#### **Trustees**

The Trustees are ultimately responsible for the establishment and oversight for the Scheme's risk management framework as guided by the Tourism Workers Pension Act (the TWP Act). The Trustees provide principles for overall risk management as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, and investment of excess liquidity.

#### **Investment policy**

The Scheme's objective is to achieve capital growth through investing in pooled pension investment funds operated by Sagicor Pooled Investment Funds Limited (PIF), a subsidiary of Sagicor Life Jamaica Limited. All investments present a risk of loss of capital. The Investment Manager moderates this risk through a careful selection of securities and other financial instruments within specified limits. Maximum risk resulting from financial instruments is determined by the fair value of the financial instruments. The Scheme's overall market positions are monitored on an ongoing basis by the Investment Manager and are reviewed by the Trustees.

In addition, the Scheme also invests directly in bonds. The investments underlying the Pooled Pension Investment Funds expose those funds to a variety of market risk factors, which are managed independently of the Scheme. The amounts held in these Pooled Pension Investment Funds are generally due at call, which further limits the impact on the Scheme from the risks being faced by the underlying investments.

# The Tourism Workers Pension Scheme

## Notes to the Financial Statements

December 31, 2022

### 10. Financial risk management (cont'd)

#### Risk exposure

The Scheme is directly exposed to price risk arising from its investments in the Sagicor Pooled Pension Investment Funds. The Scheme's analysis of price risk, therefore, incorporates all expectations in respect of the market risk factors being faced by the underlying investments with respect to the pooled pension investment funds.

The Scheme is also exposed to credit risk in respect of its assets held at year end, and to liquidity risks due to its payables and its obligations for pension benefits and other liabilities.

The Scheme's risk management policies are designed to identify and analyse these risks, to set appropriate risk limits and controls, and to make investment decisions to minimise the effect of risk. Such risk management is monitored periodically by the Board of Trustees which is ultimately responsible for the establishment and oversight of the Scheme's risk management framework.

The most important types of risk are credit risk, liquidity risk, market risk and other operational risk. Market risk includes currency risk, interest rate and other price risk.

#### a Credit risk

The Scheme takes on exposure to credit risk, which is the risk that its counterparties will cause a financial loss for the Scheme by failing to discharge their contractual obligations. The Scheme's Investment Manager, Sagicor Life Jamaica Limited, manages the Scheme's exposure to credit risk by reviewing the ongoing financial status of each counterparty. Credit exposures arise principally from the Scheme's investing activities and contributions received not yet invested.

#### Credit review process

The Trustees perform ongoing analyses of the ability of counterparties to meet repayment obligations.

The Scheme limits its exposure to credit risk by investing in Domestic Corporate Debt Securities and Pooled Pension Investment Funds, with counterparties that have high credit quality. The units purchased in the Sagicor Pooled PIFs are available on call, and this reduces the Scheme's credit risk exposure. Accordingly, Management does not expect any counterparty to fail to meet its obligations.

#### Maximum exposure to credit risk

The Scheme's maximum exposure to credit risk at December 31, 2022 is disclosed on the statement on net assets available for benefits.

	2022 \$'000	2021 \$,000
Credit risk exposures are as follows:		
Investments	1,171,944	505,843
Bank	10,171	3,005
Other receivables	23	-
<b>Total</b>	<b>1,182,138</b>	<b>508,848</b>

The above table represents a worst-case scenario of credit risk exposure of the Scheme at December 31, 2022. None of these assets are either impaired or past due but not impaired.

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# The Tourism Workers Pension Scheme

## Notes to the Financial Statements

December 31, 2022

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### 10. Financial risk management (cont'd)

#### b Liquidity risk

Liquidity risk is the risk that the Scheme is unable to meet its payment obligations associated with its financial liabilities when they fall due. Prudent liquidity risk management implies maintaining sufficient marketable securities to satisfy its payments obligations as they fall due.

##### **Liquidity risk management process**

The Scheme is exposed to periodic payment of benefits to members and other operating expenses. The Investment Manager is required to ensure that a percentage of the Scheme's assets are invested in short term instruments to provide the liquidity to settle all such obligations, project possible expenses from one period to the next, maintain a percentage of highly marketable securities and manage the maturing profile of its investments.

Accrued expenses and other liabilities at period end are due within 3 months and the Scheme has adequate liquid resources to cover these, along with the payment of benefits to members.

#### c Market risk

The Scheme takes on exposure to market risks, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks mainly arise from changes in foreign currency exchange rates, price risks and interest rates. Market risk is monitored by the Investment Manager who carries out research and monitors the price movement of financial assets on the local and international markets.

##### i Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will not materialise due to changes in foreign currency rates. The Scheme from time to time holds assets denominated in United States dollars and as such is exposed to fluctuations in foreign currency rates. The economic and investment landscape are continuously assessed to reduce any adverse impact that such movements will have on the Scheme's financial performance. Foreign exchange risk arises from future commercial transactions and recognised financial assets.

As at December 31, 2022, the Scheme had no exposure to foreign exchange risk.

##### ii Interest rate risk

Interest rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Floating rate instruments expose the Scheme to cash flow interest risk, whereas fixed interest rate instruments expose the Scheme to fair value interest risk.

# The Tourism Workers Pension Scheme

## Notes to the Financial Statements

December 31, 2022

### 10. Financial risk management (cont'd)

#### c Market risk

##### iii Price risk

Price risk affecting the Scheme is the risk that the unit prices of the Scheme's holdings in Sagicor Pooled Pension Investment Funds will fluctuate because of changes in the market prices of the investments underlying the Sagicor Pooled Pension Investment Funds, whether those changes are caused by factors specific to the instruments or affecting all similar instruments in the market.

The following table indicates the sensitivity to a reasonably possible change in unit prices of Sagicor Pooled Pension Investment Funds, with all other variables held constant, on the net assets available for benefits. The correlation of variables will have a significant effect in determining the ultimate impact on market risk, but to demonstrate the impact due to changes in variables, variables had to be on an individual basis.

It should be noted that movements in these variables are non-linear.

2022

	Sagicor Pooled Pension Investment Funds				
	CPI	Equity	Foreign Currency	Money Market	Mortgage & Real Estate
Reasonably possible change in unit prices (%)	9.4%	6.0%	4.0%	1.0%	5.2%
Values of Pooled Pension Investment Funds (\$'000)	735,541	50,304	104,246	12,606	98,447
Effect on the net assets available for benefits (\$'000)	69,141	3,018	4,170	126	5,119

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# The Tourism Workers Pension Scheme

## Notes to the Financial Statements

December 31, 2022

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### 10. Financial risk management (cont'd)

#### c Market risk

##### iii Price risk

2021

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	<b>Sagikor Pooled Pension Investment Funds: CPI</b>
Reasonably possible change in unit prices (%)	7.3
Values of Sagikor Pooled Pension Investment Funds (\$'000)	505,843
Effect on the net assets available for benefits (\$'000)	<u>36,927</u>

#### d Fair value estimation

The Scheme adopted the amendment to IFRS 7 for financial instruments that are measured in the Statement of Net Assets Available for Benefits at fair value. This requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The Scheme's investments are measured at fair value subsequent to initial recognition and are not traded in an active market. The fair value of the Scheme's assets are determined using valuation techniques based on observable market data. The Scheme's investments are therefore classified as Level 2 instruments. There was no movement of investments between levels during the year.

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# The Tourism Workers Pension Scheme

## Notes to the Financial Statements

December 31, 2022

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### 11. Summary of financial assets and liabilities by category

The carrying amounts of the Schemes' financial assets and liabilities recognised at the end of the reporting period under review may also be categorised as follows:

	2022 \$'000	2021 \$'000
<b>Assets</b>		
Available -for- sale financial assets	1,171,944	505,843
Bank	10,171	3,005
Contributions receivable	40,222	-
Other receivables	23	-
<b>Total</b>	<b>1,222,360</b>	<b>508,848</b>
<b>Liabilities</b>		
Financial liabilities measured at amortised cost		
Payables and accruals	4,554	7,148
<b>Total</b>	<b>4,554</b>	<b>7,148</b>

### 12. Capital management, policies and procedures

The Trustees and Scheme managers' objectives are to ensure the Scheme's ability to meet its obligations as they fall due, both current and over the long-term. The Trustees and Investment Manager review the financial position of the Scheme at regular intervals.

The Scheme is not subject to externally imposed capital requirements; however, it is regulated by the Financial Services Commission and is guided by recommendations of its actuary.