

1 THE ANGUILLA HOUSE OF ASSEMBLY  
 2 TRANSCRIPT OF PROCEEDINGS OF  
 3 THE PUBLIC ACCOUNTS COMMITTEE'S INQUIRY  
 4 INTO THE FINANCIAL SUSTAINABILITY OF MEDIUM  
 5 TO LONG TERM SOCIAL SECURITY ARRANGEMENTS  
 6 HELD ON 4TH NOVEMBER 2019  
 7 AT THE ATLIN NORALDO HARRIGAN, OBE,  
 8 PARLIAMENTARY BUILDING  
 9 THE VALLEY, ANGUILLA

6 Presiding

7 Hon Ms. Palmavon Webster, Chairman of the Public Accounts  
 8 Committee

9 Members Present

10 Hon Mrs. Evalie Bradley, Member  
 11 Hon Mr. Paul Harrigan, Member (via video link)

12 Witnesses

13 Dr. Aidan Harrigan, PS Finance  
 14 Mr. Timothy Hodge, Director of Social Security  
 15 Mr. Hernando Perez Montas, SSB Actuary

16 In attendance

17 Mr. Lenox Proctor, Clerk of the Assembly  
 18 Dr. Anna Dickson, Clerk of Committees  
 19 Mr. Khari Goddard (Intern)

23 Court Reporting Unit  
 24 Government of Anguilla  
 25 The Valley, Anguilla, BWI

DONE BY: CARLA S. RITCHIE, CERTIFIED COURT REPORTER

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1 Meanings of Symbols and Words used in Transcripts

2 Dashes

3  
4 A series of two dashes (--) is used to show:

- 5 (1) Changes of thought: When the speaker has a  
6 sudden change of thought leaving a sentence  
7 unfinished to begin a new sentence or a phrase.
- 8 (2) Mid-word: When a speaker leaves a word unfinished  
9 and starts another word.
- 10 (3) Interruption: When a speaker is interrupted by  
11 another speaker. These dashes normally appear  
12 at the end of the sentence. When the dashes  
13 appear at the beginning of the sentence it means  
14 that the speaker continued speaking even though  
15 interrupted or resumed the sentence after the  
16 interruption.

17 The word (indiscernible):

18 Used when a word or phrase is unintelligible and cannot  
19 be transcribed due to interruption, simultaneous speech,  
20 cough, voice lowered.

21 The word (inaudible):

22 Used when a speaker cannot be heard.

23 The word (phonetic):

24 When the correct spelling of a word or name cannot be  
25 ascertained from available resource material the word is  
typed as it sounds phonetically and the word phonetic  
follows in brackets.

The word (sic):

Used when a speaker uses a term or word or figure/number  
that is known to be incorrect.

**P-R-O-C-E-E-D-I-N-G-S**

**(Session convened at 3:00 p.m.)**

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THE CHAIRMAN: ... for the public, it just occurred to me. I'm going to ask you before you answer the substantive question just to say who you are and what your role is.

MR. T. HODGE: Thank you.

THE CHAIRMAN: Yes. And this is for all the witnesses just so we get that into the transcript as well.

MR. T. HODGE: Thank you.

THE CHAIRMAN: Yeah, just once. Just, you know, at the beginning of any question. Thanks.

MR. T. HODGE: Yes. I am Timothy Hodge, Director of Social Security, and here also is the Chairman of the Board, Mr. Sean Richards. And yes, yes. I haven't looked around but there may be others from the office as well. I have been Director of Social Security since 1986 and I am pleased to say that the Anguilla Social Security Board does have a financial strategy. The system, Social Security system which this year is 37 years old and in fact operates based on an ordinance which was passed on November 3rd, 1980, so that this week we celebrate Social Security week in Anguilla and the Social Security system is built on that legislation. And the strategy which is an actuarial strategy, and I'm happy also to note that our actuary Mr. Hernando Perez Montas is

1 here as well. So there is a financial strategy which is based  
2 on actuarial, actuarial analysis and actuarial basis.

3 MRS. E. BRADLEY: Okay. So could --

4 MR. T. HODGE: Mr. Montas can explain more  
5 what that means to the committee if necessary. But the  
6 financial strategy of the Board is, in a nutshell, to maintain  
7 a strong sustainable Social Security fund. And that means  
8 that all the revenues, all the investment income are collected  
9 and it pays meaningful benefits to the beneficiaries, to  
10 qualified recipients on time; prudently invest surplus funds  
11 and administers the Social Security system efficiently.

12 MRS. E. BRADLEY: So could you umh --

13 MR. T. HODGE: That's it in a nutshell.

14 **QUESTIONS TO MR. TIMOTHY HODGE**

15 **BY MRS. E. BRADLEY:**

16 Q. Okay good. Could you explain to us what  
17 assumptions then this strategy has made about demand  
18 pressures, cost pressures and the projected amount of revenue  
19 and capital resources?

20 A. Okay. So umh as I stated, Madam Chair, we are  
21 into our 37th year of operations and the Social Security  
22 system and every year of its existence has grown, the Social  
23 Security fund reserves have grown. Now this has not been  
24 without challenges and these challenges are not unique to  
25 Anguilla. In every country in the world Social Security

1 systems face pressures based on demographics and economics and  
2 in recent times new employment, new workplace issues and so  
3 they are not unique to us. In the Anguillian context though,  
4 they would relate mainly to issues of demographics, that is  
5 the aging of the population. So as more persons attain the  
6 age of retirement, which is 65, more persons are living  
7 longer. My second cousin is going to be buried on Sunday.  
8 She's 105 years old -- She was a hundred and five.

9 THE CHAIRMAN: We recognise her and the  
10 family as well. I know that you're referring to Irene Lake.

11 MR. T. HODGE: Yes.

12 THE CHAIRMAN: Yes. God bless her.

13 MR. T. HODGE: God bless her.

14 Health issues where a number of -- increasing  
15 number of persons are leaving the workforce prematurely  
16 through basically non umh, umh diseases such as diabetes,  
17 hypertension, noncommunicable diseases. They are leaving the  
18 workforce prematurely and therefore there is a double whammy.  
19 That is, when they leave the workforce early they pay less  
20 contributions and if they are -- and they receive benefits  
21 more quickly.

22 And then the third major point would be, or  
23 pressure would be the economy. That is whether the economy  
24 provides jobs which are meaningful and therefore persons pay  
25 sufficient contribution incomes to continue to earn meaningful

1 benefits.

2 THE CHAIRMAN: And just before, just to  
3 interrupt you. In relation to the indication about the  
4 diseases that you listed. Are there any statistics available  
5 that you could provide to us that would be, would confirm what  
6 you're saying?

7 MR. T. HODGE: Statistics can be provided  
8 and you would be -- they would be found in the, not the  
9 statistics per se, but you would see that the incidents is  
10 (sic) increasing and therefore the cost is increasing. In the  
11 financial statements you would see that the long-term benefits  
12 branch is increasing and there's a breakdown there of  
13 disability pensions, disability costs.

14 THE CHAIRMAN: Okay. Okay, go on.

15 MR. T. HODGE: So related to the economy,  
16 and this is where it really hits home because for a lot of  
17 people the health and the aging, they are, you know, somewhere  
18 in the clouds but the economy is what surrounds you. And of  
19 course the economy of Anguilla has grown substantially over  
20 the years since the system was introduced.

21 Then we had the global financial crisis in 2008  
22 which significantly impacted the economy of Anguilla, and  
23 really and truly has been kind of flatlined since then and was  
24 just beginning to rebound when in 2017 we had Hurricane Irma.  
25 I'm happy to say that our contribution levels have recovered

1 after Irma, post Irma to where they now exceed the pre 2008  
2 levels.

3 Also significant in this, and you have  
4 mentioned, Madam Chair, is the banking issues, the financial  
5 crisis which affected our banking sector and therefore today  
6 we have a totally different financial banking sector in  
7 Anguilla. The two banks that we have, those banks did not  
8 exist in 2008. We have substantially lower interest rates and  
9 also we have limited investment opportunities locally and  
10 regionally. Also the financial crisis and the Hurricane Irma  
11 affected employment, a number of local businesses. A number  
12 of businesses were impacted and consequently their ability to  
13 employ persons and paying contributions on their behalf. And  
14 therefore there's a demand pressure that we must respond and  
15 therefore we must do our best to collect contributions that  
16 exist.

17 So in summary, if I may? The Board has had good  
18 success in carrying out its financial strategy. The fund  
19 continues to perform in accordance with the actuarial model  
20 and notably the fund has not yet reached its equilibrium.

21 When we started, and Madam Chair the questioner  
22 would have sat, I'm sure, in a meeting at the old court house  
23 and an actuary explained to us, Social Security, what was  
24 coming in 1981, and then he said you should have equilibrium  
25 in 25 years. We are now almost at 40 and we have not reached



1 equilibrium yet. That is when income equals outgo, at which  
2 point you would have to make adjustments for the system to  
3 continue to remain strong.

4 **BY MRS. E. BRADLEY:**

5 Q. Okay. Okay.

6 A. So the fund has not yet reached equilibrium and  
7 it's not expected to do so within the next few years.

8 And finally, the costs pressures will include,  
9 of course, the cost of administration.

10 Q. Okay. Umh --

11 A. That is not -- Those are not stagnant, yes.

12 Q. Yeah. Umh, thanks.

13 Now given the growth of the economy, will the  
14 Board be able to increase its return on investments?

15 A. The return on its investments is not necessarily  
16 a factor of the growth of the economy, it will depend on the  
17 investment opportunities that are available. So the economy  
18 can be going on strong but there could still be an absence of  
19 investment opportunities. So I'm very pleased to say that the  
20 Board has been involved working with the Government of  
21 Anguilla to look at areas of new investment such as the marina  
22 industry for one, which would provide not just an opportunity  
23 for direct returns on monies invested in that industry but  
24 also would create substantial employment which would then  
25 create additional contribution income to the system.

1 THE CHAIRMAN: Very well.

2 MRS. E BRADLEY: Go ahead.

3 THE CHAIRMAN: Yes. If -- What I want to  
4 -- I would just let the people in the gallery know that in  
5 fact Mr. Hodge has previously provided some written evidence  
6 including some of the points that he's just made. And this is  
7 on the side table in the room and you are welcome to take a  
8 copy, and equally I have -- I'm going to make sure that these  
9 additional bits of information are available. Yes, in fact  
10 they are already published. That's how efficient, you know,  
11 the young House of Assembly staff is and I want to thank the  
12 Clerk of the House, Joash Lennox Proctor for his work and also  
13 the youngster. I also want to recognise that Khari Goddard  
14 who is an understudy to Dr. Dickson is with us and he is a  
15 volunteer so it shows the commitment of our young people to  
16 the process. I just want to recognise that and thank them.

17 **BY MRS. E. BRADLEY:**

18 Q. Okay. Continuing with a line of questioning to  
19 you, Mr. Hodge. What does the Board's medium-term financial  
20 plan show in terms of future funding of Social Security  
21 payments?

22 A. The medium-term plan calls for continued growth  
23 in Social Security contributions so that revenues will  
24 continue to increase. As the fund grows and without needing  
25 any increase in the rate of return, so the rate of return

1 remains constant but the amounts invested grows then  
2 investment income will grow and on the other side of the  
3 equation benefits will also grow because more persons will  
4 either attain the age of retirement or go into disability or  
5 the other short-term benefits. The cost of administration  
6 remains under control and therefore that means that for the  
7 next -- in the medium term that the fund will continue to  
8 grow, there will be a surplus of income over expenditure.  
9 This is very important. That is what I mean when I say that  
10 equilibrium has not yet been reached. When equilibrium  
11 reaches and income equals outgo there are no funds additional  
12 to be invested.

13           Now the model that we have, and Mr. Montas will  
14 speak a little bit more to the model I'm sure, says that in  
15 the early years of the existence of a Social Security system  
16 like ours, using the model that we have we will have surpluses  
17 in the early years and those surpluses have to be invested in  
18 a prudent way. And as those funds are invested, the better  
19 the returns, of course considering the risk, and the better,  
20 the more efficient the collection systems the further out we  
21 will push that equilibrium point. So at 37 years we already  
22 gone 12 years past our model which means that we are doing  
23 positively and if we were to compare with some of our  
24 neighbors who I won't name --

25           THE CHAIRMAN:           Okay.

1 MRS. E. BRADLEY: Okay.

2 MR. T. HODGE: -- we have done better than  
3 they have because some of them have already reached  
4 equilibrium.

5 THE CHAIRMAN: Okay. Very well. Thank  
6 you for that.

7 **BY MRS. E. BRADLEY:**

8 Q. Now the next question: How confident are you  
9 that you will be able to meet changing demands on short and  
10 long-term benefits?

11 A. The answer to a question like this is tricky  
12 because you have to depend on the past but the past is not  
13 really a predictor of the future. I think we all know that  
14 and nowadays change is more rapid than ever and discontinuous.  
15 But based on the evidence of the past, the short-term benefits  
16 continue to be financed without any issues and the long-term  
17 benefits continue to increase, benefit levels continue to  
18 increase, which is expected. So we are confident in the  
19 model, I'm confident in the model; it has been proven. The  
20 thing that I would want to insist on is that when the  
21 equilibrium pressures are increased and changes are required,  
22 you will recall in my opening that I said that changes will  
23 have to be required when we reach equilibrium.

24 THE CHAIRMAN: Yes. And --

25 MR. T. HODGE: And those changes are

1 actually made because if they are not made then the system  
2 will begin to show declines in its reserves.

3 THE CHAIRMAN: Just answer for us please,  
4 if you will, a yes or no. Are you confident that you will be  
5 able to meet the changing demands on both short and long-term  
6 benefits?

7 MR. T. HODGE: Yes, I am confident.

8 THE CHAIRMAN: Yes or no?

9 MR. T. HODGE: Yes.

10 THE CHAIRMAN: Yes, I am confident. Is  
11 that what you are saying for the record?

12 MR. T. HODGE: Yes.

13 THE CHAIRMAN: Thank you very much.

14 **QUESTIONS TO MR. HERNANDO PEREZ MONTAS**

15 **BY MRS. E. BRADLEY:**

16 Q. Okay. Mr. Montas, good to have you here with us  
17 this afternoon. My next question goes to you and that is:  
18 When was the most recent actuarial review of the Anguilla  
19 Social Security Board?

20 A. First and foremost, Madam Chair, thank you for  
21 the invitation. I think this is a very important proceeding  
22 in all countries because public accountability is an utmost  
23 and very important concept nowadays continuing transparency  
24 and accountability of the public sector.

25 Let me try to explain the actuarial mechanics of

1 the Social Security scheme. In all developing countries the  
2 ILO, in particularly in the CARICOM area, what the -- the  
3 entity in charge of designing the financing and actuarial  
4 basis of Social Security. So the ILO here and all the CARICOM  
5 countries design the pension scheme and the Social Security  
6 scheme you have on a partial capitalisation basis. By that I  
7 mean that it's not fully funded like a private pension fund.  
8 Social Security is not like a private pension fund which  
9 attains a fully funded state. But this is a partial  
10 capitalisation scheme and the contribution rate designed by  
11 the ILO many years ago was 10 percent of salaries. Out of  
12 that 10 percent of salaries 8.125 percent is allocated to the  
13 long-term branch, and 1.875 percent is allocated to the  
14 short-term branch. The allocation to the long-term branch  
15 will not be sufficient indefinitely to meet the actuarial cost  
16 of the scheme. It has to be increased in the future because  
17 8.125 percent cannot meet 60 percent of pension which is the  
18 targeted rate for pensions. But so far over 30 years, and  
19 that was the intention of the ILO, this scheme has -- this  
20 initial contribution rate has been quite resilient. Two  
21 factors have an influential (indiscernible) concerning the  
22 long term --

23 THE CHAIRMAN: Sorry to interrupt you.  
24 Before you talk about the two factors because we really want  
25 to hear this. I'm going to trouble you to just raise your

1 voice slightly because the amplification is not as good as we  
2 wanted it to be and so if you could just project so that our  
3 person, the other member can hear clearly on the -- as well.  
4 Is that okay?

5 MR. PEREZ MONTAS: Yes.

6 THE CHAIRMAN: You were going to go on to  
7 the two factors. Sorry to interrupt you.

8 MR. PEREZ MONTAS: Yes, Madam Chair. So the  
9 -- Repeating again.

10 This initial contribution rate will not suffice  
11 indefinitely to cover the actuarial cost of the pension scheme  
12 which has a targeted rate of 60 percent, replacement ratio of  
13 60 percent. Many countries in the area of the Bahamas and so  
14 on have been increasing gradually, that initial contribution  
15 rate has been increasing gradually. In Anguilla, for more  
16 than thirty years, Mr. Hodge, that initial rate had been  
17 sufficient.

18 The next triannual actuarial review is due  
19 December 31st, 2019 and that will determine what will happen  
20 long term with long-term branch.

21 **BY MRS. E. BRADLEY:**

22 Q. When is that, sorry? When is the next  
23 actuarial review?

24 A. December 31st this year, a triannual actuarial  
25 review.

1 Q. Okay.

2 A. But the scheme has been maturing over the past  
3 35 years, and there are two important inflexion points in your  
4 Social Security pensions. I think dealing about pensions  
5 because the short-term branch and the cost is stable. Because  
6 whether you get sick or do not get sick the cost will be  
7 stable over time more-or-less. But the pension scheme  
8 Mr. Hodge was saying will increase over time.

9 There are two inflexion points in a pension  
10 scheme. The first inflexion point is when contributions equal  
11 expenditure.

12 Q. Okay. Just umh, thing.

13 A. Contributions equal expenditure. Forget about  
14 investment income. Contributions equal expenditure. And the  
15 second inflexion point is when contributions plus investment  
16 income equals total expenditure. The first inflexion point  
17 has already been reached.

18 THE CHAIRMAN: Has already been reached.

19 MR. PEREZ MONTAS: So basically the Social  
20 Security capitalisation is basically due to investment income.

21 THE CHAIRMAN: Okay.

22 **BY MRS. E. BRADLEY:**

23 Q. Was there a review in this 2016?

24 A. But that's the normal development of a pension  
25 scheme financed with partial capitalisation basis. This is to



1 be expected. That will happen. Now the question is after 35  
2 years of operation this rate might have to be increased medium  
3 or longer, it has to be increased in order -- when, when the  
4 contributions plus investment income equals total expenditure.  
5 By total expenditure I mean benefit plus administration.

6 Due to the hurricanes and some factors and the  
7 banking situation in Anguilla -- Yes.

8 (Inaudible speaker.)

9 MR. PEREZ MONTAS: Oh every three years there  
10 has been an actuarial review, yes.

11 MRS. E. BRADLEY: Okay.

12 MR. PEREZ MONTAS: And so -- Continue?

13 THE CHAIRMAN: Just hold on that because  
14 we're going to come later to a question that might bring that  
15 out. But we just want to --

16 **BY MRS. E. BRADLEY:**

17 Q. Okay. Just continuing, Mr. Montas. Next  
18 question is: What assumptions have you made about the future  
19 requirements or demands on Social Security from the population  
20 at large?

21 A. This is a very important question because the  
22 situation in Anguilla has been very interesting. One factor  
23 is migration.

24 THE CHAIRMAN: Okay.

25 MR. PEREZ MONTAS: Migration is a very

1 important factor and has been very positive for Anguilla  
2 because you have a lot of labour coming in and usually a lot  
3 of labour going out. They come here and they contribute the  
4 10 percent contributions rate.

5 (Noise interruption.)

6 THE CHAIRMAN: Paul, yeah I'm sorry to,  
7 sorry. Are you hearing us clearly?

8 MR. P. HARRIGAN: I'm hearing you clearly.  
9 I'm having a difficult time hearing Mr. Montas but I've  
10 plugged out my ear piece so I can use the computer's earphone  
11 to see if I can hear him better.

12 THE CHAIRMAN: Okay. Okay. Is there --  
13 Our IT people, and I want to recognise how hard they have been  
14 working to even make this possible for us today. Is there  
15 anything we can do to assist in Mr. Montas being heard? I  
16 know the amplification within is not as effective as we want  
17 it, yes. Just we are just encouraging you to speak loudly.

18 MR. PEREZ MONTAS: Loudly. Migration has been  
19 an important factor. (Speaking in a raised voice.)

20 THE CHAIRMAN: Well that's very good.  
21 Thank you so much.

22 MR. PEREZ MONTAS: Shall I keep it at that  
23 level? Migration has been an important factor for Social  
24 Security because a lot of labour have been coming in and  
25 especially after Hurricane Irma they left the scheme. They

1 went to work in different countries and they make  
2 contributions of 10 percent of salaries. If they did not get  
3 sick all this income was a positive factor in the financial  
4 development of the Social Security scheme. Very important.  
5 On the other hand, the scheme has been unable, as in all the  
6 CARICOM countries, to setup in place a good self-employed  
7 scheme. Of the total self-employed population in Anguilla,  
8 less than 2 percent are paying contributions even though the  
9 scheme is mandatory. So that's another factor that can cause  
10 what we call adverse selection.

11 THE CHAIRMAN: Yes.

12 MR. PEREZ MONTAS: It has been impossible not  
13 only in Anguilla, in all developing countries has been very  
14 difficult when you have an informal sector, taxi drivers,  
15 street vendors and they do not make contributions. And also  
16 it happens in the construction sector. They might come here,  
17 work for one or two months and somehow the compliance is not  
18 very strict in that area in all countries in the world.

19 The basic structure on the Social Security  
20 scheme from the actuarial standpoint is the real rate of  
21 return of investment of 3 percent.

22 THE CHAIRMAN: Three percent?

23 MR. PEREZ MONTAS: Real rate after inflation.

24 THE CHAIRMAN: Mmm hmm.

25 MR. PEREZ MONTAS: Luckily in Anguilla

1 inflation has been extremely low and we have seen that for the  
2 next one or two years we cannot go further than that.  
3 Inflation will continue to be low. On the other hand,  
4 regrettably now because of the banking situation, the  
5 investments that Social Security have in those banks came down  
6 the rate of interest. What we foresee for the next valuation  
7 that if inflation remains low the real 3 percent rate of  
8 return is attainable and therefore based on my last valuation  
9 3 years ago, we are forecasting that for the next medium-term,  
10 what I mean medium-term, between 5 and 7 years, the  
11 contribution rate will not have to be increased in Anguilla.

12 MRS. E. BRADLEY: Thank you very much.

13 MR. PEREZ MONTAS: Between 5 and 7 years.

14 MRS. E. BRADLEY: Thank very much,

15 Mr. Montas. And for now that brings me to the end of my  
16 questioning line and I think we will now move on to the  
17 Honourable Paul Harrigan to continue the questioning.

18 THE CHAIRMAN: And Paul, just before you  
19 ask your questions, I recognise that because you might not  
20 have been privy to what Mr. Montas was saying all the time  
21 there might be a bit of repetition but I'm going to ask our  
22 listeners and the gallery to bear with that. I think they are  
23 going to benefit from the repetition anyway because the voice  
24 would have been low. So I'm sorry, Mr. Montas, you are going  
25 to have in your next questions possibly questions that you

1 might have attempted to answer already generally but a  
2 repetition of that. I apologise for that but it's all in aid  
3 of getting -- making sure we are all on the same page. Thank  
4 you. So Mr. Harrigan.

5 MR. P. HARRIGAN: Yes. Good afternoon to all  
6 our guests and witnesses.

7 My first question is directed to Mr. Montas.

8 **QUESTIONS TO MR. HERNANDO PEREZ MONTAS**

9 **BY MR. P. HARRIGAN:**

10 Q. You have previously indicated that the pension  
11 contribution rates are sufficient to guarantee the pension  
12 amounts paid in the medium term. What is your most recent  
13 assessment given that interest rates are now lower and the  
14 continued difference between the reserves and the actuarial  
15 real value of present and future pensions obligations?

16 THE CHAIRMAN: And if you could be quite  
17 specific in relation to answering the question I think it will  
18 help us as well; as specific to the question that he has asked  
19 even though you have said quite a lot before.

20 MR. PEREZ MONTAS: Based, you have plan b side  
21 here and you have the actuarial financial (indiscernible).

22 THE CHAIRMAN: Loud.

23 MR. PEREZ MONTAS: Maybe I didn't get the  
24 question.

25 THE CHAIRMAN: I can ask him to repeat it.

1 Paul, do you mind repeating the question and I  
2 know Mr. Montas is going to speak as loudly as possible.

3 MS. P. HARRIGAN: Yeah, it's no problem.

4 **BY MR. P. HARRIGAN:**

5 Q. There is (sic) two questions. The first  
6 question is, what is your most recent assessment given that  
7 the interest rates are now lower? I will ask the second  
8 question after you finish answer that question.

9 A. The last actuary review was carried out after  
10 31st December 2016 and since then only minor amendments to the  
11 legislation have taken place and none of them have affected  
12 the long-term brand, the pension scheme. Even though in the  
13 actuarial valuation we keep stating that the frozen level of  
14 the contributions are EC\$7,000 per month should be increased  
15 in the future because it happens to be that if you do not  
16 increase that EC\$7,000 per month the relationship between  
17 actual earnings and insurable earnings is (indiscernible) and  
18 therefore pension will be insufficient to guarantee the  
19 objective of a pension scheme which is to guarantee after you  
20 retire, and before you die, the same standard of living that  
21 you had when you were in active life. That's the key  
22 objective of the pension scheme. To allow when you retire the  
23 same standard of living that you have while you were in  
24 active life. And this is not the situation now for those  
25 making two or three times \$7,000 a week -- per month. Is that

1     --

2                   THE CHAIRMAN:            Thank you.   Thank you.

3     Yes.

4                   MR. P. HARRIGAN:            Ms. Webster, I believe he  
5     answered that second question but I'll still read it again.

6                   THE CHAIRMAN:            So you heard it.   You heard  
7     the response.

8                   MR. P. HARRIGAN:            Yes.

9                   THE CHAIRMAN:            Yes.   Well maybe you can  
10    have just a summary response then.   Yes, go on, your next  
11    question.

12                   MR. P. HARRIGAN:            Okay.   So I'll move on to  
13    the next question then because I believe he answered the two  
14    questions in the initial question.

15                   THE CHAIRMAN:            Yes.

16    **BY MR. P. HARRIGAN:**

17                   Q.    My next question to you Mr. Montas is:   What  
18    should be the timetable for any increases in the pension rate?

19                   A.    The timetable will depend on the period of  
20    equilibrium which is the moment when contributions plus  
21    investment income equals benefit and administrative  
22    expenditure.   Right now, according to the last unaudited  
23    financial statement, and Dr. Harrigan can correct me, you  
24    still have a possible capitalisation of reserve around EC\$10  
25    million per year.   So as long as that \$10 million do not

1 decrease to zero you will not need to increase contribution  
2 rate according to the partial capitalisation scheme designed  
3 by the International Labour Office in Geneva. And I estimate,  
4 as I said, that that will happen not before five to six years.  
5 If the rate of return of investment remains as it is the real  
6 rate of return, particularly if inflation remains subdued in  
7 Anguilla as we expect it to happen.

8 Q. Okay. Thank you.

9 MR. P. HARRIGAN: That's it for my questions  
10 for now. I turn the floor back over to Ms. Webster.

11 THE CHAIRMAN: Thank you very much.  
12 Mr. Montas, thank you very much for repeating as well. Yeah,  
13 we appreciate that.

14 So yes. I have some questions for Mr. Hodge and  
15 it's really to do with that area that we talked about.

16 **QUESTIONS TO MR. TIMOTHY HODGE**

17 **BY THE CHAIRMAN:**

18 Q. The Banking Resolution Obligations Act 2016, you  
19 mentioned that it, that had impact. And what I want to ask  
20 you is whether or not -- What legal advice did the Anguilla  
21 Social Security Board secure at the time to support the  
22 arrangement? And I am referring here to the, yes, the \$215  
23 million Bank Resolution Note with you.

24 A. Madam Chair, the Social Security Board retains  
25 legal counsel who attends every meeting of the Board and



1 considers any issue requiring legal advice such as this. And  
2 our legal counsel advised on the note, in particularly on one  
3 section and I don't remember exactly what it was right now but  
4 there was quite a bit of back and forth between the Government  
5 side and the Social Security on the Promissory Note before the  
6 note was actually signed. So that advice was sought and was  
7 given and there was a point which we argued very strongly and  
8 we ensured that it was represented in the final document  
9 before it was signed.

10 Q. And could you share with us what that advice,  
11 the advice you received what it was?

12 A. I can't remember exactly what the issue was but  
13 it was something to do with umh --

14 DR. A. HARRIGAN: Well basically the need to  
15 have a financial instrument. I think that was the -- So the  
16 Promissory Note is in effect the financial instrument that the  
17 Social Security Board can have reflected on its books.

18 THE CHAIRMAN: And that is Dr. Aidan  
19 Harrigan, for those listening, who has sought to assist with  
20 that question. And, yes.

21 **BY THE CHAIRMAN:**

22 Q. So Mr. Hodge, having been reminded that that was  
23 the issue about the financial instrument which you would have,  
24 would you accept that that was quite a novel and contentious  
25 issue at the time?

1           A.       Promissory notes are not -- I wouldn't accept  
2       that not promissory notes are -- agree that promissory notes  
3       are novel. I think what the issue was was the ability of the  
4       Board to, as it were, come in as an equal partner and have its  
5       views, its interest represented in the instrument, and at the  
6       end of the day I think we now have an instrument which, while  
7       it might be contentious or might have been contentious and  
8       might have appeared in -- at that time to be at a rather low  
9       interest rate as has been revealed, as has been revealed  
10      interest rates have dropped to where bank CDs are now less  
11      than 1 percent and so a 3 percent instrument which might have  
12      appeared a very low interest rate then now appears to be  
13      something which is acceptable and especially in an environment  
14      of low inflation as Mr. Montas just described.

15           Q.       Did you, did you secure any additional expert  
16      opinion on that particular issue? I know you have said that  
17      your Board, you know, that your counsel, you know, your  
18      general counsel attended, but have you -- did you secure any  
19      additional legal advice in relation to that, yes or no? A  
20      simple yes or no would work.

21           A.       It has to be legal advice only, or?

22           Q.       Legal advice I'm asking. Did you secure  
23      additional legal advice in relation to that?

24           A.       No.

25           Q.       Thank you very much.

1           Have you had occasion to secure any legal advice  
2 in relation to the arrangement since that time?

3           A.     Not legal advice but we have, we have discussed  
4 the instrument with other financial experts in terms of the  
5 opportunity to perhaps place it on the market and/or sell the  
6 instrument.

7           Q.     Alright. Thank you very much.

8           THE CHAIRMAN:         Mr. Harrigan, thank you  
9 very much for stepping in. If you would just for the record,  
10 you know, state your full name and tell us your role just for  
11 the record. I know, of course, and it's repetitive but it's  
12 important.

13           DR. A. HARRIGAN:       Okay. Good afternoon.  
14 Aidan Harrigan, Permanent Secretary of Finance.

15           THE CHAIRMAN:         Thank you very much.

16                                   **QUESTIONS TO DR. AIDAN HARRIGAN**

17           **BY THE CHAIRMAN:**

18           Q.     And my question for you, Dr. Harrigan is: What  
19 are the Government repayments on the loan to date, that 24 --  
20 that \$214 million.

21           A.     Right. Well the instrument is supposed to be  
22 repaid over 25 years from June 30th, 2016 with a grace period  
23 of 5 years. So principal payments are suppose to commence on  
24 30th June 2016.

25           Q.     I'm going to have to interrupt you and trouble

1 you to speak a little bit louder just like Mr. Montas. I'm so  
2 sorry and I apologise for the lack of amplification in the  
3 room but it's really important. Thanks.

4 A. It's a 25 year instrument --

5 Q. Yes.

6 A. -- with payments commencing 30th June 2016.

7 Q. Yes.

8 A. So the Government has been servicing, paying  
9 interest and it's up-to-date, and the principal amount  
10 repayment of that is supposed to commence on 30th June 2021.

11 Q. 2021?

12 A. Yes.

13 Q. Yes repayments on the principal. Alright.

14 And what progress has the Government made in  
15 terms of refinancing the debt?

16 A. Yes. So we have had discussions with various  
17 parties. The challenge is to find terms which are at least as  
18 favourable to Government and so that has been one of the  
19 issues preventing a resale or refinance for the time being,  
20 but we continue to look at opportunities.

21 Q. So what, Dr. Harrigan, what do you think are the  
22 prospects of being, our being in a position in line with the  
23 agreement to meet the principal payments when they become due?  
24 How positioned are we to that considering that we haven't  
25 secured, you know, a different refinancing arrangement?

1           A.     Well it doesn't matter so much. It's either  
2 that if the instrument remains with Social Security then  
3 Government has to, you know, pay Social Security. If it's  
4 refinanced, what that means is that their obligation - Social  
5 Security will be repaid in full and their obligation will  
6 change to another entity, whoever is willing to enter into  
7 agreement, so.

8           Q.     Yes. And how, I think the public would be very  
9 interested to hear from you how, in relation to the various  
10 parties you've approached, how recent are your activities in  
11 that regard continuing now? Is there a big -- that sort of  
12 information? Are you optimistic that, you know, this is a  
13 realistic ambition?

14          A.     Mmm hmm. Well the discussions have gone, umh,  
15 there have been different permutations. For example, some  
16 folks have been interested in maybe not the entire amount but  
17 maybe a smaller portion, you know. And as I mentioned  
18 earlier, the term is a challenge because 25 years and the  
19 longer the tenure of an instrument there is more risk  
20 associated in terms of, you know, uncertainty. So while in  
21 the discussions we've had, as I said, folks have looked at  
22 maybe partial refinance and also on ahm, you know, shorter  
23 terms. So it's, for Government the challenge as I said is to  
24 what impact would that have on the servicing in terms of the,  
25 you know, amortization payments and so on and the ability to

1 meet those obligations.

2 Q. Thank you very much.

3 THE CHAIRMAN: Paul, I'm proposing --  
4 we're very cognizant of the time and I want to apologise for  
5 the absence of Mrs. Bradley right now. She has had to attend,  
6 to leave to attend another important official obligation that  
7 she has which is an emergency obligation and so we have  
8 relieved her. She is going to, of course, be able to  
9 participate in the next stages and any additional questions  
10 that she might have you might be hearing from us in that  
11 regard. But I'm going to invite you, Paul, let's go to the  
12 next section now. We're still very hopeful that we can  
13 complete the inquiry, you know, quite quickly where we're  
14 moving a little bit more slowly largely because the answers  
15 are long and I don't want to always interrupt but then we  
16 projected. But umh thank you very much. So Paul if you would  
17 move to the next section, please.

18 MR. P. HARRIGAN: Okay. These two questions  
19 will be directed to Mr. Hodge and Mr. Montas.

20 **QUESTIONS ANSWERED BY MR. TIMOTHY HODGE**

21 **BY MR. P. HARRIGAN:**

22 Q. Will we still receive the draft, the 2016  
23 financial accounts? So the question will be directed towards  
24 that.

25 In regards to the financial draft of 2016, do

1 you have any more accounts that's prepared and audited?

2 A. Madam Chair the, I actually have in front of me  
3 unaudited for 2016 and 2017 which have been essentially  
4 completed and these are -- these have come back from BDO, the  
5 external auditors, but they have not been signed off on as  
6 yet. You would be aware that our arrangements for audit, we  
7 have an external auditor and then the external audit  
8 statements have got to go to the chief audit, chief auditor of  
9 the Government of Anguilla who may or may not require the  
10 external auditor to review sections of the audit. So the  
11 audit -- sorry, the statements for 2016 and 2017 have been  
12 completed but not, the audit has not been completed. The  
13 statements have been completed but not the audit.

14 Q. Thank you.

15 THE CHAIRMAN: So your last, just to  
16 confirm, the last published accounts would have been 2015?

17 MR. T. HODGE: Yes.

18 THE CHAIRMAN: Yes.

19 **BY MR. P. HARRIGAN:**

20 Q. Now how can you properly demonstrate financial  
21 stewardship of public money without timely audited accounts?

22 A. Well the auditing of the accounts is something  
23 which is essentially we have little control over, especially  
24 given the activities that occurred during 2016 and 2017 which  
25 were the Banking Resolution which has required almost constant

1 subsequent events coming into the statements and every time  
2 there's a subsequent event the statements have to be reviewed,  
3 and then 2017 I think we all know what happened in 2017. So  
4 the statements are as I said essentially completed and we  
5 await the signing off of these statements.

6 Q. Okay. So you're telling me that before the  
7 financial crisis and before Irma that you was up-to-date with  
8 your financial reporting?

9 A. The banking crisis was resolved by way of the  
10 resolution in 2016 but the banking crisis did not start in  
11 2016, sir. There were events in 2013, 14 and 15 and the same  
12 applied that there's the subsequent events. And the  
13 subsequent events prohibited the issuing of audited financial  
14 statements for those periods; on time financial statements.  
15 Prior to that, the Social Security Board would have had a  
16 stellar record of audited financial statements being prepared  
17 and presented before the House on time.

18 THE CHAIRMAN: Can you just share with us  
19 when would have been the last time that, the last year that  
20 the statements would have been on time prior to that?

21 MR. T. HODGE: I imagine 2012.

22 THE CHAIRMAN: 2012?

23 MR. T. HODGE: Well I think the banking  
24 crisis started in 2013.

25



1 **BY MR. P. HARRIGAN:**

2 Q. Okay. Due to the group being exposed to  
3 significant geographical credit concentration which could  
4 materially impact the group's liquidity, my next question is:  
5 What options has the Anguilla Social Security Board considered  
6 for improving its financial resilience?

7 A. Well the Board does invest outside of the  
8 geographic area both outside of Anguilla in terms of regional  
9 investments with regional governments and the Eastern  
10 Caribbean Home Mortgage Bank and also invest on the  
11 international markets, US and international markets through  
12 international investment firms.

13 Q. Yes. But yuh know that according to your  
14 financials it show that 83 percent of your investments are  
15 locally in Anguilla.

16 A. But that is as a result, as a direct result of  
17 the Banking Resolution which placed, as was said, \$214 million  
18 in one instrument, the Promissory Note. And as was mentioned  
19 earlier, we have tried to have -- we don't -- it's not our  
20 note, it's the Government of Anguilla's note so we can't sell  
21 it, it's the Government of Anguilla that has to sell it. But  
22 we have encouraged the Government of Anguilla to find a -- to  
23 refinance it and if they could refinance it such that we have  
24 control over that -- those funds then we would have more  
25 flexibility and deal with issues such as geographic

1 concentration and other concentrations.

2 Q. Okay, thanks. Yes, I agree that you should  
3 entice the Government to invest or try to get a loan abroad  
4 somewhere else due to the fact that the interest rates in  
5 Anguilla are very low. But we're now moving on to the Social  
6 Development Fund and I want to thank you guys for your  
7 contributions to the questions for the financial resilience of  
8 the Social Security Board.

9 The Social Security Development Fund was  
10 established in 1986 to fund socially desirable projects. My  
11 first question to you: How does the Board decide how much to  
12 contribute to the Development Fund and what projects to  
13 support?

14 A. The fund that you rightly stated was established  
15 in 1986 was actually established by legislation, so that the  
16 Board doesn't decide how much money goes into the fund, it is  
17 decided by legislation and 3.75 percent of every hundred  
18 dollars or every dollar that is collected in Social Security  
19 contributions goes into that fund; 3.75 out of the hundred,  
20 .0375 cents on the dollar. The fund therefore has built up  
21 over the years. A few years ago, well quite a few years ago  
22 it was decided to establish a reserve so that not all the  
23 monies was spent in any one year. The reserve has been put  
24 aside and built up and so that today there is probably over a  
25 million dollars in reserves in the fund. That is how the fund

1 is established.

2 Projects. How the projects were decided; is  
3 that a part of the question, Madam Chair?

4 THE CHAIRMAN: Yes.

5 **BY MR. P. HARRIGAN:**

6 Q. Yeah, what projects you support?

7 A. Okay. The projects we support, the projects as  
8 said in the legislation are socially desirable projects of the  
9 Board with the prior approval of the Minister. So the Board  
10 considers projects and the Board has established certain  
11 priority areas and these are health, education, youth, sports,  
12 culture and the environment. Those are the areas of priority  
13 and they should all have a national impact so there should be  
14 no personal or narrow interest. And the Board has established  
15 a process, a call for projects process whereby it invites  
16 projects proposals -- project proposals so that they may be  
17 considered beside each other and selection made comparing what  
18 is the best projects rather than funding one today and then  
19 tomorrow a project comes in but it's a better project but you  
20 have already spent what monies were allocated.

21 Q. So if I understand you correctly, the Board  
22 actually creates a business case for each project?

23 A. The Board invites persons to present a project  
24 with a business case with budgets and supporting documents and  
25 then the Board assesses, compares them with each other and

1 decides whether or not projects are worthy of support and then  
2 sends those forward to the Minister who has the right to sign  
3 off on, to agree or disagree.

4 Q. Is that business case published in any form?

5 A. No. The projects, the projects are submitted on  
6 a form which is published. The form is available on the  
7 Board's website and on -- they submit the project proposal to  
8 the Board. And they are -- No, they are not published, ahm,  
9 no.

10 Q. Okay. My next question is, how much has the  
11 Development Fund contributed to carnival in each of the last  
12 five years?

13 A. Umh, I'm sorry I don't have that information  
14 here with me but it's not a large sum.

15 THE CHAIRMAN: But when you say not a  
16 large sum, if you could just give us a ballpark figure? What  
17 we're going to do is we'll reserve the opportunity to get the  
18 answers in writing. That's okay as well.

19 MR. T. HODGE: Yes.

20 THE CHAIRMAN: But just for the public  
21 listening, if you could share with us.

22 MR. T. HODGE: Yes. The Board is  
23 generally asked to sponsor a troupe or a contestant and  
24 generally the response is we would prefer to give, let us say  
25 instead of sponsoring troupe X, we would prefer to give the

1 troupes' committee funds so that those may be distributed  
2 among all the troupes. So that you may find that the  
3 contribution to carnival in any year would probably be less  
4 than a hundred thousand dollars and spread out over  
5 sponsorship of areas and probably significantly less than a  
6 hundred thousand dollars at that.

7 THE CHAIRMAN: Yes. Okay.

8 **BY MR. P. HARRIGAN:**

9 Q. Mr. Hodge, according to your website  
10 information, no project can be more than \$50,000. Is that US  
11 or EC?

12 A. Umh, that is, that is umh, I think I should  
13 probably be removed because oftentimes we do have approaches  
14 for projects which are in excess of that. I think it was  
15 intended to be -- to keep applications within a certain size.  
16 But umh, the figure would be EC dollars.

17 Q. EC?

18 A. Yes.

19 Q. Okay. Thank you. Also according to your  
20 website, all projects once approved by the Board are monitored  
21 by a Board appointed project officer. May I ask who is the  
22 project officer and how does he or she monitor each project?

23 A. Okay. So the project officer is not any one  
24 named individual. It may be depending on the type of project  
25 the Board's, the PR officer and/or officers from the finance

1 and accounting section of the office, and they are monitored  
2 and certainly every project is monitored financially and the  
3 funds are disbursed in accordance with our rules, our finance  
4 and accounting rules at the office. So that they will be  
5 disbursed just like any other disbursement at Social Security  
6 office with all the proper invoices, controls and checks and  
7 balances.

8 **BY THE CHAIRMAN:**

9 Q. Mr. Hodge, can I ask you if since there is no  
10 any one person, as Director of Social Security are you -- have  
11 you approved, have you been the officer deciding on any of any  
12 matters that come in front of you?

13 A. The projects are decided by the Board.

14 Q. Yes, but?

15 A. Collective.

16 Q. Yes. So the decision is by the Board together;  
17 decisions are always by the Board?

18 A. Always by the Board.

19 Q. But it says that umh -- So do you -- Yes, it's  
20 the projects that are monitored by the projects officer. Yes,  
21 I understand.

22 Thanks Paul. You go on.

23 MR. P. HARRIGAN: Okay.

24 **BY MR. P. HARRIGAN:**

25 Q. I have one last question for this, well not for

1 the section but one last question that I am proposing.

2 What is the post-project evaluation for each  
3 project?

4 A. The post-project evaluation would be an analysis  
5 of performance, whether or not the project was completed,  
6 whether or not it achieves its objectives, whether or not it  
7 met its budget and whether or not the requirements of the  
8 Board for the granting of funds have been met.

9 Q. Is that assessment published?

10 A. Published to the general public you mean?

11 Q. Yes.

12 A. No.

13 Q. Okay. Thanks, Mr. Hodge.

14 MR. P. HARRIGAN: Pam I turn the floor back  
15 over to you.

16 THE CHAIRMAN: Thank you very much. And  
17 just in addition to the reservation that we've had on the, you  
18 know, requiring written answers in relation to that question  
19 on, you know, the expenditure for the carnival. We will also  
20 maybe have some questions in relation to the evaluation and  
21 how that substantiated as well. Thank you very much, Mr.  
22 Hodge.

23 We're going to move on to another line.

24 **QUESTIONS TO MR. TIMOTHY HODGE**

25 **BY THE CHAIRMAN:**

1 Q. And what -- This is for you.

2 What assessment has the Board made of the merits  
3 of partnering with the relevant Government Ministry to fund  
4 relevant projects? For example, you talked about, you know,  
5 the initiative in relation to health, some initiatives in  
6 relation to health. Do you partner with the Health Ministry  
7 for health related projects? Would that be worth considering?

8 A. That's for me, Madam Chair?

9 Q. Yes.

10 A. Yes, certainly. Health is a vital aspect of our  
11 system because healthy population contribute to a healthy  
12 fund, and delay benefits to -- that would have otherwise been  
13 caused by sickness or disability. So we're a vested interest  
14 in a healthy population.

15 If I may, Madam Chair, we are hosting a  
16 conference here this week, starts tomorrow, a Regional and  
17 International Conference on Health Financing Initiatives, so  
18 we are very much involved in the issue of health. And in  
19 terms of partnering in terms of projects, we are often  
20 approached with issues such as, dealing with issues such as  
21 testings and monitoring and public relations publicity as to  
22 disease and healthy living and healthy lifestyles. We've also  
23 partnered in terms of equipment. Most recently and notably  
24 the CT scan machine has recently gone into operation at the  
25 Princess Alexandra Hospital. The Social Security Board along



1 with other corporate citizens, the insurance companies and the  
2 banks, I think, partnered with Government on purchasing that  
3 equipment which will be vital for improving analysis of health  
4 conditions.

5 Q. But do you have a written assessment? Do you  
6 have any evidence of the, you know, the assessment, you know,  
7 with the Ministry to show that it's in organised form? I see,  
8 for instance, that in 2014 you allocated a \$153,000 to health  
9 services projects, and I've also seen that there was a  
10 significant decrease in funds allocated to the special  
11 assistance programme from \$384,000 in 2014 to \$43,000 in 2015.  
12 So I'm just trying to, you know, we're trying to get an idea  
13 on which, you know, because one year it's one thing. For  
14 instance, in 2015 I see that you allocated \$824,000 to health  
15 services project. So I'm just, we're trying to see what the  
16 rationale is.

17 A. Yes.

18 Q. For the difference.

19 A. Let us look at the special assistance for  
20 example.

21 Q. Yes.

22 A. That was a specific programme. At the time of  
23 the financial crisis when lots of people were out of work and  
24 the Board came up with a project to provide vouchers for  
25 groceries and other necessities, so that programme was

1 primarily in the previous year that you mentioned and then  
2 came to an end during the following year.

3 The issue with the \$800,000 I would want to  
4 believe that that -- I'm not sure if it shows up in our --  
5 What year was that?

6 Q. It was 2015.

7 A. Fifteen. I'm not sure that the CAT scan machine  
8 would have been, I don't think it would have been that early.  
9 So that would have been -- I can't recall exactly what that  
10 would have been, but it would have probably been in terms of  
11 helping in Government's -- in the Health Ministry's capital  
12 programme so it wouldn't have been for any minor project.

13 Q. So really we would expect that a Ministry of  
14 Health would be funded sufficiently to provide its own  
15 services in that regard and, you know, that it's not just ad  
16 hoc able to go in to get Social Security to provide a resource  
17 like that. Now I know that it's important for us to have, and  
18 but to what extent is the policy or the way you're making  
19 those decisions published, written or in line with the  
20 mandate? Is there any evidence of that that you could provide  
21 us with that policy or that, you know, the way that you make  
22 those decisions?

23 A. The policy is published, the process is  
24 published on the Board's website which is [www.ssbai.com](http://www.ssbai.com). It  
25 will be a little difficult for me to go to a specific project

1 because certainly over time and then that would probably be  
2 more than one project as well.

3 Q. Alright.

4 A. But it's not, it is not -- I would certainly  
5 agree with you that the ministries do not just have unfettered  
6 access to the funds. I agree with you.

7 Q. And shouldn't.

8 A. And shouldn't.

9 Q. And shouldn't.

10 A. Yes.

11 Q. On another line though, has the Board considered  
12 say partnering with the private sector? You know, we hear a  
13 lot about and I know Dr. Harrigan in particular is familiar.  
14 We've had so much talk about public/private partnerships. Has  
15 the Social Security Board considered, you know, partnering  
16 with the private sector to meet some of the national needs  
17 that we've talked about?

18 A. Certainly. And similar and in like manner as  
19 the Board has partnered with Government on some issues. They  
20 have also partnered with the private sector and groups on  
21 other projects has partners. For example, most recently has  
22 been involved with ACORN in terms of screenings and other  
23 issues related to HIV aids and such, and the Diabetes  
24 Association and lots of institutions like this. And also in  
25 terms of sports, in terms of culture would have not -- these

1 are (sic) not necessarily involve the Government of Anguilla  
2 or Government agencies.

3 Q. Okay. Thank you very much for that. And I want  
4 to move to another set of questions and I'm going to ask you  
5 particularly in relation to these answers to be as direct as  
6 you possibly can because I don't want us to go very much  
7 longer. It's wonderful that you're here and that you're  
8 forthcoming with your answers but I think that we also want to  
9 work within the timeframe particularly because I know  
10 Mr. Montas has given up so much of his time here for work  
11 purposes to appear at the committee, and again I say how  
12 grateful we are for that.

13 Now the -- What is the current financial  
14 position of the Anguilla Social Security Board's subsidiary  
15 ASSIDCO? What is the current financial position of that  
16 subsidiary?

17 A. Addressed to me?

18 Q. Yes. Yes, I'm going to ask Mr. Hodge, and  
19 Mr. Montas I know I'm going to get a response and maybe you  
20 will want to share your views on that as well. It must be  
21 pretty glaring for you when you look at it every time.

22 Mr. Hodge, what is the current financial  
23 position?

24 A. Yes. So it centers around the purchase of the  
25 property commonly known as Cinnamon Reef and the lease of that

1 property to the Government of Anguilla. So the situation is  
2 as such. The Board owns the valuable property. It has its  
3 amounts due to it in excess of its value for the lease but the  
4 lease payments for the Government remain outstanding. So that  
5 there's a net impairment loss provision of \$16 million.  
6 That's a provision which means that it can be reversed, but as  
7 it stands there's a net impairment loss of EC\$16 million. Now  
8 this could be reversed, as I said, by a sale or receipt of the  
9 outstanding lease amounts and the Board has entertained an  
10 offer for US\$9 million. It did not come to fruition.

11 Further, the property has been considered as one  
12 of the best five marina sites on the island in a recent study  
13 and so there is the potential for sale or other involvement in  
14 a marina still at the site. In the meantime, the Government  
15 has also been asked to negotiate a settlement involving either  
16 loans and/or swap for land, land for debt. Debt for land swap  
17 -- swaps.

18 Q. Alright. And can I ask you - that's very  
19 interesting - in relation to the -- When was the last time you  
20 received an offer in relation to the land? Can you say that?

21 A. I would think it was probably last year.

22 Q. So last --

23 A. 2017 or 2018.

24 Q. And can I ask you if that is the offer that --  
25 the highest offer you received you received it last year?

1 A. Yes.

2 Q. Alright. In 2018?

3 A. Seventeen or eighteen.

4 Q. Seventeen or eighteen, you are not sure. So  
5 that is another question you can provide us some particulars  
6 for when you -- particulars of the answer when we write to  
7 you. So thank you for that.

8 Mr. -- Before I ask Mr. Montas the next question  
9 I have, I just want to be clear. What can you say for the  
10 record what the Government's outstanding debt is now?

11 A. The debt just simply based on a multiplication  
12 of nine years at the figure that they were, the lease payment  
13 that they were to have paid would be somewhere in the region  
14 of about EC\$30 million which I'm sure would have to be  
15 negotiated because that would now go beyond the value,  
16 probably in the region of the value of the property. So I  
17 think it's somewhere between 30 and 32 million dollars. I'm  
18 not sure of the exact figure.

19 **QUESTIONS TO MR. HERNANDO PEREZ MONTAS**

20 **BY THE CHAIRMAN:**

21 Q. Yes. So I'm sure, Mr. Montas, that that  
22 situation is one that you would be familiar with in terms of  
23 evaluating the position. What are your thoughts in relation  
24 to those questions?

25 A. As you know, Madam Chair, the actuary does not

1 get directly involved on the investing, just provide general  
2 guidelines. But concerning ASSIDCO, the problem they have is  
3 that there is no active market for that property. Over the  
4 years there have been proposals for partnership. I have been  
5 recommending the SSB not to get involved in any of this  
6 partnership with foreign investors that say give me the  
7 property and we'll pay you back when any profits are obtained.  
8 So the option SSB has is to reach an agreement with the  
9 Government of Anguilla concerning the initial promise which so  
10 far is outstanding or sell the property at a loss, because  
11 right now all the proposals have a market value below the  
12 original amount they negotiated. If their proposal is to keep  
13 it in the balance sheet, the external auditors are qualifying  
14 that investment and the problem I have with that full  
15 qualification of that investment is that when you do not have  
16 an active market it is very difficult to assess the value of  
17 the property.

18 Q. Thank you.

19 A. So if their option is just to keep it in the  
20 balance sheet and maybe one, two, three or 10 years somebody  
21 might come up and make an offering. In the meantime, it has a  
22 negative financial in incidents on the Social Security  
23 financial situation.

24 Q. So it is of concern.

25 In your expert view, Mr. Montas, do you think

1 the Social Sec -- I know this is not a decision that you would  
2 ordinarily take but in your expert opinion, should the  
3 Anguilla Social Security Board dispose of the investment in  
4 the Cinnamon Reef property?

5 A. It's on behalf of the Investment Committee which  
6 is independent the Board. And they also have a committee for  
7 ASSIDCO also they have different committees. I think  
8 according to the legislation, I understand the investment  
9 committee make recommendations to the Board which the Board  
10 can or cannot agree with. From the actuarial standpoint, my  
11 concern is whether SSB with this diversification of the  
12 investment regionally, offshore with land ASSIDCO and the loan  
13 by the Government which is a high proportion of the asset of  
14 SSB --

15 Q. Yes.

16 A. -- whether they can attain the 3 percent real  
17 rate of it and that's my actuarial concern.

18 Q. Yes.

19 A. So far the Government has been complying with  
20 loans, not only the notes they issue they also have loans, eh.

21 Q. Yes.

22 A. And so far they have been complying with the  
23 loan provision, so so far the external auditors are satisfied  
24 with that. And in 2017 they tried to impair some of the  
25 Government debt due to the note. And I think that in 2018



1 they reversed their position because the Government made a  
2 first payment. Well we do not know if this continuous  
3 compliance will go on financially in the future, if the  
4 Government is prepared to continue financially complying.  
5 Well why we consider Government debt to be more a higher  
6 ranking than private debt because the Government has a  
7 permanent existence where private companies as well have a  
8 temporary existence. So we are satisfied that Government  
9 finally or ultimately will have to comply with Social  
10 Security.

11 Q. And thank you --

12 A. Either with cash contributions or they might  
13 have to get funds somehow with taxes and so on to comply with  
14 it.

15 Q. Thank you, yes. Thank you for that. And I just  
16 want our listeners to know and the members in the gallery that  
17 in fact the report you -- your evidence, you've provided us  
18 with some written evidence and that that is also going to be  
19 made available to the -- on the website so it will be there  
20 for everybody to peruse and if there're additional questions  
21 and they are posed through the committee I'm sure that we can  
22 get some more answers, but thank you for that.

23 **QUESTIONS TO DR. AIDAN HARRIGAN**

24 **BY THE CHAIRMAN:**

25 Q. And Dr. Harrigan, so what is the Government,

1 what are your thoughts, how is Government thinking about this  
2 compliance? And tell us a little bit about the loans as well  
3 that's been referred to.

4 A. Based on my recollection actually apart from the  
5 \$214 million promissory note, the only other loan that the  
6 Government of Anguilla would have had with the Social Security  
7 Board which is still active is I think it was a fiscal loan in  
8 2010 and Government has kept up with its obligations on that  
9 loan and I believe it should soon be fully repaid in I think  
10 maybe, but let me not speculate, two to three years.

11 MR. T. HODGE: Only one.

12 DR. A. HARRIGAN: One. Yeah. Okay. So  
13 that's good.

14 THE CHAIRMAN: So only one payment remains  
15 to be met; is that what you are saying?

16 MR. T. HODGE: It's current.

17 **BY THE CHAIRMAN:**

18 Q. Yes. So it's current except for one payment.

19 A. It's current.

20 Q. Oh, it's current. Okay. Yes.

21 A. The balance is almost fully repaid.

22 MR. T. HODGE: It's a 10 year loan that is  
23 (inaudible).

24 THE CHAIRMAN: Yes.

25 **BY THE CHAIRMAN:**

1           Q.     Yes.  And alright so that's the only other loan  
2 that you know about.  At least that's clear.  It has helped us  
3 clarify that it's separate from the \$214 million and separate  
4 from the ASSIDCO situation.

5           A.     Yes.

6           Q.     Thank you for that.  So in relation to ASSIDCO  
7 though, what are Government's plans to deal with the current  
8 challenge, the current impasse?

9           A.     Well I have to admit it's a conundrum because  
10 clearly in terms of the amount that is outstanding, that is  
11 currently -- that would pose a challenge for Government to,  
12 you know, to make up on that.  Mr. Hodge would have mentioned  
13 that there are options.  I think the debt for land swap would  
14 be more palatable, so something that, you know, there could be  
15 some discussion about with a view to reaching an agreement.  I  
16 think in terms of looking at a negotiated settlement we've  
17 always kept in mind that okay, what is the alternative?  If  
18 the Social Security Board had not invested in the property,  
19 what would it have done with the funds?  And I guess on one  
20 end of the spectrum will be to say well would have placed the  
21 money in some sort of umh, you know, interest bearing account  
22 and so you could, you know, have as a benchmark what it would  
23 have earned over the period of time so maybe to look at, as I  
24 said, some kind of settlement and go on that basis.

25                   Mr. Montas would have mentioned, yes.  So the

1 Governments tend to have what they call fiat powers. So and  
2 governments exist in perpetuity and so there is always the  
3 possibility of coming into means. As you know, one of my pet  
4 areas but it's still yet to be. I think it's one of your  
5 areas of interest too is how to monetize our 200 mile zone,  
6 fisheries zone. And beyond that there is also the economic  
7 zone which is also the 200 mile, so there are possibilities.  
8 But the Government is never --

9 Q. We may come into oil you're saying?

10 A. Well I don't know. Guyana seems to be --

11 Q. (Inaudible).

12 A. Fisheries, yes. But Government has always been  
13 clear it wouldn't stand in the way of a sale of the property  
14 and has tried to be, you know, an active partner in terms of  
15 suggesting possibilities. And as Mr. Montas has indicated  
16 over time we've reached to the position that the best option  
17 would be for, you know, an outright sale rather than, you  
18 know, a lease or some kind of, you know, partnership agreement  
19 because there are risks associated with a partnership. But 10  
20 years has elapsed and so I think we have to make a concerted  
21 effort to come to some kind of agreement because at least it  
22 would remove the -- If Government can, as I mention, have, for  
23 example, the debt for land swap is more, is a possibility then  
24 we will get away from these issues of impairment and so on.

25 Q. Thank you.

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**QUESTIONS TO MR. TIMOTHY HODGE**

**BY THE CHAIRMAN:**

Q. Mr. Hodge, one last question on that line though is when was the most recent time you have had a formal and minuted discussion with Government in relation to this particular matter; minuted?

A. Oh, minuted.

Q. Formal.

A. I can't really say for minuted but I know that we've had discussions recently perhaps email discussions as recently as perhaps this morning with the PS Finance concerning the issue and how we settle this issue.

Q. I hope I'm sure prompted by our inquiry this afternoon perhaps.

A. Reminded by the inquiry --

Q. Yes.

A. -- but not prompted because it's something that we have pursued religiously.

Madam Chair just to say that the CAT scan machine figure shows up in our 2015 accounts, it's over \$400,000.00. That was the medical health that you talked about and also that year there were expenses towards the formation of a National Health Insurance Programme so that would also have been in that \$800,000 so that's where those

1 figures, the majority of those figures come from.

2 Q. Yes. And we are already way behind what we  
3 talked about in terms of time so I just want to take the  
4 opportunity again to thank you for being here and for coming,  
5 responding to our request without the need for a summons.  
6 That's always good.

7 And to say particularly, Mr. Montas, how  
8 grateful we are that you made yourself available to the Board  
9 and changed your arrangements so that, your work arrangements  
10 so that you can be able to answer the questions directly. We  
11 really appreciate that.

12 And Mr. Hodge, Mr. Harrigan, thanks again for  
13 being forthcoming with the information. There are other  
14 questions that we may have but we are very anxious that we get  
15 a speedy report also. This will be one of the, all being well  
16 this is one of the short inquiries following on the last  
17 inquiry we had that we hope we will have a quick report and  
18 again I want to thank you for your written responses that are  
19 available on the website.

20 MR. T. HODGE: Madam Chair, if I may?

21 THE CHAIRMAN: Yes.

22 MR. T. HODGE: I wish to thank you for  
23 accommodating us that you changed the date, brought the date  
24 forward to today because tomorrow, as I mention, we are in  
25 conference at the Regional Social Security Health Conference.

1 I want to thank you and your staff. I was very impressed that  
2 it was instantaneously put up on the website and I would like  
3 to thank Dr. Dickson for the discussions that we've had as  
4 well to make this a smooth hearing. Thank you.

5 THE CHAIRMAN: Yes. And again, very many  
6 thanks. So with this we are going to close the proceedings  
7 now and thanks again.

8 DR. AIDAN HARRIGAN: Thank you.

9 THE CHAIRMAN: One thing I just hadn't  
10 recognised the IT staff and I just want to make sure that we  
11 want to thank them for their work particularly today. They  
12 have worked very hard and under Alrand Webster's supervision  
13 and they've done excellent work. Thanks again.

14 Yeah. Paul, do you want to say anything before  
15 -- I mean, we've closed officially but say a few words.

16 MR. P. HARRIGAN: No, I just want to thank  
17 the guest for their prudent answers and thanks for coming and  
18 attending and we look forward to any future evidence sessions  
19 with all of them. Thank you.

20 THE CHAIRMAN: Thanks again.

21 Oh, I forgot the press. I am sorry.

22 **(Session ended at 4:30 p.m.)**

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**REPORTER'S CERTIFICATE**

I, **CARLA S. RITCHIE**, a Certified Court Reporter, do hereby certify:

That on the 20<sup>th</sup> day of November, 2019 the foregoing proceedings were transcribed by me from electronic recording consisting of 52 pages herein;

That the foregoing is a true and correct transcript of the audible portions therein;

That I am not an attorney, relative, or employee of any party hereto, or otherwise interested in the events of this cause;

IN WITNESS WHEREOF, I have hereunto affixed my signature at The Valley, Anguilla, British West Indies, this 20<sup>th</sup> day of November, 2019.

  
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**CARLA S. RITCHIE**  
Certified Court Reporter