

PAC inquiry into the medium to long term financial sustainability of current social security arrangements

Responses from Timothy A. Hodge, Director of Social Security, 13 Nov 2019

Follow up questions

On the ASSB financial Strategy, Mr Hodge said the strategy was based on an actuarial analysis. He said it was expected that the system would be in equilibrium within 25 years. The system was now 37 years old.

Questions:

1. For what reasons has the equilibrium not yet been attained?

As stated in the written statement, Financial **Equilibrium** is the point at which the Social Security System's **income equals its outgo**, i.e.

Contribution Income + Investment Income = Benefit Exp + Admin Expenditure.

Before that point, i.e.

Contribution Income + Investment Income > Benefit Exp + Admin Expenditure, surpluses are generated and the System's reserves continue to increase.

After that point, i.e.

Contribution Income + Investment Income < Benefit Exp + Admin Expenditure, if adjustments are not made (most likely to contribution levels), then deficits will occur and the Reserves will begin to decline.

Because the Social Security System has performed beyond the expectations of its actuarial model (which was that equilibrium would be expected after 25 years), the point of equilibrium has **not yet** been reached after 37 years of operations. Thus, Contribution and Investment Income have continued to exceed Benefit and Administrative Expenditure, and consequently, the Reserves of the Fund continue to increase.

This is a **positive** outcome. Had equilibrium been reached already, contribution rates would have had to be increased and/or benefit levels cut, or else the reserves, instead of approaching \$400 million, would have been exhausted.

2. Please clarify what assumptions the financial strategy has made about (a) demand pressures, (b) cost pressures and (c) the projected amount of revenue and capital resources

The basic equation for the Anguilla Social Security System at the eventual equilibrium point, as for any social security system, is:

Contribution Income + Investment Income = Benefit Exp + Admin Expenditure

Anything which decreases the left side of the equation (a decrease in Contribution Income and/or a decrease in Investment Income) would create demand pressures. Addressing some of these pressures might be beyond the SSB's control, such as a weakening economy, but the SSB's strategic plan calls for engaging government and other stakeholders to promote a strong economy, strengthened compliance, and through targeted socio-economic investments.

Anything which increases the right side of the equation (an increase in Benefit Expenditure and/or an increase in Administrative Expenditure) would create cost pressures. Benefit expenditures are the *raison d'être* of the social security system, so reducing benefit expenditure to rebalance the equation is an unlikely response. For this reason, benefit levels are determined on actuarial bases, and new benefits or increases in existing benefits are not made without actuarial advice. Administrative expenditures are also difficult to reduce without a decline in customer service, efficiency and effectiveness and would likely be counter-productive. Strong budgetary control of expenditure is vital.

a) Demand Pressures

These would generally be addressed by enhancing contribution levels including increasing the contribution ceilings, and by seeking increased investment income through an updated asset allocation strategy.

b) Cost Pressures

The cost of benefits entitlements will be addressed with budget allocations derived from financial trends. Cost-containment strategies will be required due to the actuarial maturity of the scheme, both for administrative expenses and social development projects.

c) Projected Revenues and Capital Resources

Projected revenues will be carefully assessed once the triennial actuarial valuation at 31 December 2019 is submitted to the Board, to determine the "period of equilibrium" between income and expenditure. Capital resources might include income from assets including the disposition of the Cinnamon Reef Property. Contingent adjustments to the ceiling on contributions, which have remained frozen for almost a decade, would provide additional revenues. The financing bases (statutory contribution rates), might be updated in accordance with the actuarial structure of the SSB, before the

period of equilibrium is reached. Actual performance continues to align with the model.

On the Cinnamon Reef project, Mr. Hodge said the most recent offer of US\$9 million was made in 2017. He considered that offer to be too low.

Questions:

3. What criteria – or what valuation process – was used to determine that the offer of US\$9 million was too low?

In my written statement, I said “The Board has considered an offer for US\$9 million”, and in my verbal statement I recall saying that the price was being negotiated. Not accepting an initial offer does not rule out the possibility of accepting that, or any other offer. The criteria set was that the company wanted to achieve a price as close to US\$12 million as possible, which is still the asking price, determined on the basis of the price it paid for the property, and interest and associated costs, and profit. Setting an asking price does not rule out the possibility of accepting any other offered or negotiated price.

4. Since the offer in 2017, what discussions has the ASSB had with (a) the Government and (b) the company making the offer?

(a) The SSB has continued to seek Government’s settlement of the outstanding amounts due on the lease, either by loans or land for debt swaps. The SSB continues to pursue other development options in discussion with Government, including outright sale of the property for marina development.

(b) The company which made the offer has indicated that they are no longer interested in investing in the proposed tourism development on that site.

5. What external advice has ASSB sought on this offer?

The SSB has not sought external advice on this offer.

6. What advice has the ASSB investment committee provided on this offer?

The Investment Committee has not provided direct advice on this offer.

7. Given that there is “no active market” for this kind of property, when does the ASSB plan to make a decision about Cinnamon Reef?

While there has not been a sale of the Cinnamon Reef project, the SSB and ASSIDCO do not accept that there is “no active market” for this kind of property. The acceptance of that offer would have indicated an “active market” of a willing seller and a willing buyer. Further, tourism properties continue to be sold in Anguilla. ASSIDCO continues to receive indications of interest in the property, one as recently as this week, and the reaching of a sale agreement would indicate an “active market”. The SSB’s decision is to encourage and assist ASSIDCO to conclude a sale which at least recovers the invested funds.

On the Social Development Fund

Questions:

- 8. Please clarify, how much funding the Fund has allocated to the Carnival in each of the last five years.**

EXPENDITURE	2015	2016	2017	2018	2019
Carnival Activities	0.00	17,742.12	32,258.40	57,258.40	52,001.26

- 9. Please provide an example of a post-project evaluation carried out in the last two years.**

Please see below Evaluation report and Department of Youth and Culture report on SSDF Project for Anguilla's participation in CARIFESTA XIV.

- 10. Please clarify if there is any limit set on the amount which can be allocated to a single proposal, and where this information may be found.**

The limit shown on the SSDF Guidelines is EC\$50,000, however the guidelines provide for larger amounts as follows: "Amounts over \$50,000.00 can exceptionally be considered, and may be funded through a loan agreement."

Information as to the limit on any application for Social Security Development Fund (SSDF) funding is shown in the Guidelines for the SSDF on the Board's website <http://www.ssbai>

at the following link <http://www.ssbai.com/resources.php?type=ssdfp>

Question 9



EVALUATION REPORT

GRANT FUNDING PROVIDED TO THE DYC FOR THE ATTENDANCE AND PARTICIPATION OF AN ANGUILLIAN CONTINGENT AT CARIFESTA XVI IN TRINIDAD AND TOBAGO, 16 – 25 AUGUST 2019

In response to the Social Security Board's (SSB) first Call for Projects for the first half of 2019, an application for funding was received in March from Senoj Creations/Stages Anguilla (a youth performing and visual arts group), requesting funding for to assist a 15 youths and 5 adults strong team to attend the CARIFESTA XIV (Caribbean Festival of the Arts) in Trinidad & Tobago, to be held 16th – 26th August 2019. The expenditure budget submitted amounted to US\$25,800.00.

Additionally, the SSB was also approached in April with a request for sponsorship to assist the Rastafari drumming group of 7 persons, Roots Binghi, to attend and participate at CARIFESTA XIV. The expenditure budget submitted amounted to US\$2,2026.00 or EC\$5,446.29.

Both requests for funding were reviewed by the Sponsorship Committee and given the socio-economic importance of the development of the Arts in any society, the decision was made to support the attendance and participation of an Anguillian contingent at CARIFESTA XIV in Trinidad & Tobago, rather than provide funding to individual groups. The Committee felt that the best approach was to provide funding to the Department of Youth and Culture (DYC), who has the responsibility to coordinate Anguilla's participation at CARIFESTA, to assist all the participating teams of the Anguillian CARIFESTA contingent. This decision was communicated to both applicant groups.

Subsequently, the DYC reached out to the SSB with a request for funding towards assisting an Anguillian contingent to CARIFESTA XIV. The DYC's request along with the Sponsorship Committee's recommendation to providing funding was submitted to the Board for its decision to grant the request and approve the funds. The Board took into consideration the

large budget requirements for an Anguillian contingent to CARIFESTA XIV and approved sponsorship in amount of EC\$20,000.00. These funds were paid to the DYC for equitable distribution among the participating groups that made up the local contingent.

Following the return of the Anguillian Contingent from CARIFESTA XIV, the DYC fulfilled its requirement and submitted its CARIFESTA XIV Report to the SSB. The report gave an overview of CARIFESTA, outlined elements of the implementation process the DYC undertook in the planning, organizing and execution stages, as well as stated the outcomes and results of activities. It also included lessons learnt, recommendations for the future and financial information. (See DYC's report attached).

After reviewing the DYC's report, follow-up checks were carried out by the SSB, with the individual teams that made up the Anguillian contingent, which verified and validated the financial information submitted by the DYC, showing that the funds were equitably distributed among the teams.

Rosanna Browne

Public Relations Officer,

October 11, 2019

Department of Youth and Culture Report



CARIFESTA XIV – Trinidad and Tobago

Period under review: 1st January – 26th August 2019

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1. Introduction/Overview

2. Implementation

2.1.1. Main activities/projects

2.1.2. Main challenges

2.1.3. Strategies applied in addressing challenges

2.1.4. Outcomes/ Results of activities and/or projects

3. Recommendations for the coming year

4. Financial Information

1. Introduction/ Overview

The Caribbean Festival of Arts, CARIFESTA, has assumed a pre-eminent place among the elements that define and give expression to the uniqueness of our Caribbean reality. Like other significant institutions such as cricket, CXC, and CARICOM that symbolise a Caribbean commonality; the Festival reinforces our unity in the midst of our splendid diversity.

CARIFESTA, which has been hailed as “the inspirational exchange of creative flows”, has its underpinnings in the staging of the first Caribbean Festival of Arts in San Juan, Puerto Rico, in 1952. This event spurred some enthusiasm in the Region for celebrating the excellence of Caribbean artistry.

The creation of the West Indies Federation was marked by the staging of a Festival in Trinidad, through the auspices of the Extra Mural Department of the then University College of the West Indies. This celebratory spirit must have infused the artistic community of the Region, for it was at a regional gathering of artists in Guyana in 1970, that the idea of a grand Caribbean festival was conceived.

The enthusiasm of the artists attending a Caribbean Writers and Artists Convention in Georgetown in 1966 and again in 1970 during Guyana’s Independence and Republic celebrations, found favour with Prime Minister Forbes Burnham who spearheaded the conversion of the idea into a resplendent exposition of artistic forms and cultural artifacts that became the first Caribbean Festival of Arts in Guyana in 1972.

This year’s theme “Connect. Share. Invest.” focused on both the tangible and intangible aspects of cultural heritage and development and sought to embody and facilitate the objective of CARIFESTA XIV, that is:

Finding the ways and means for Caribbean people, artists, and cultural practitioners to *Connect* with each other, *Share* ideas and information, and *Invest* in the development of our cultural explorations, products and exchanges thus building stronger national, regional and creative industries.

The Festival has evolved and transformed over its forty-six-year history and it was expected that CARIFESTA XIV would ‘generate greater value for key stakeholders like artists, cultural entrepreneurs, host and sending governments, and the CARICOM Secretariat.

2. Implementation

I. Main Activities/Projects

- a. On 24th January 2019, the Department of Youth and Culture issued a press release (through various media) with a call for interested persons to join the 2019 Anguillian delegation for CARIFESTA XIV. The deadline for showing interest was 28th February 2019 and a total of five groups and seven individuals responded.
- b. The interested persons were then asked to become accredited with the department if they were not already, in order to receive funding from the department to contribute to expenses that would be incurred for CARIFESTA XIV. We accredited a total of five groups/individual artists.
- c. A fixed budget of XCD50,000.00 was allotted to CARIFESTA by the Government of Anguilla to make contributions to the 2019 delegation. The department created a sponsorship guide based on the size of group, exposure to the festival previously and their ability to fundraise as an organisation. *Appendix I* shows the breakdown for such. Letters of invitations were then sent to the various groups and individuals and once they accepted, cheques were issued to them to start the organisation process.
- d. Each participant also had to register and become accredited with CARIFESTA to enable them to attend and participate in the various events. The department was then required to submit a master form listing the 60 accredited delegates/participants, and a travel and accommodation form thus properly and officially documenting the entire Anguilla delegation.
- e. Once the delegation was established, the department hosted a total of 5 meetings with the leaders of the groups and the individuals traveling to CARIFESTA to share information from the CARIFESTA Secretariat and to be updated on the progress of planning for the trip.
- f. The department also reached out two organisations to formally ask for financial assistance to the CARIFESTA delegation, Anguilla Social Security Board which contributed a total of XCD20,000.00 and the Anguilla Tourist Board which contributed XCD15,000.00. These amounts were divided between the delegation proportionate to the size of their teams and the amount of costs they had outstanding.
- g. The department organised transfers (AXA-SXM-AXA), departure tax and passenger levy exemption and ground transportation for the delegation. This allowed smooth departures and arrivals for the delegation and ensured timely coordination. Flights

and accommodation however were the responsibility of the individual artists and groups.

- h. The official dates for the festival were 15th – 26th August 2019, held in Trinidad and Tobago. Anguilla was represented in the following categories: Culinary Arts, Literary Arts, Performing Arts (Music, Dance and Theatre) and Visual Arts. The individual teams participated in various events in their craft (at least three appearances each) and a joint production “*Sweet Salt: An Anguillian Fable*” was delivered on Country Night.

II. Main Challenges

- a. The rising cost of airfare posed a challenge to the delegation in general, as within a month (from March when we started looking at making airline reservations) airfare increased by at least 60% from USD448 to USD720.
- b. The size of the delegation (59 persons) meant the Government’s contribution would be nominal to the persons interested and that most of the costs would come out of pocket or through fundraising efforts.
- c. The information from the CARIFESTA Secretariat regarding inoculations was unclear and there was speculation regarding the need for the delegates to receive a yellow fever vaccine.
- d. Two of the groups travelling at last minute had accommodation cancellations and there was difficulty finding CARIFESTA approved properties to accommodate them on short notice.
- e. Once in Trinidad, the team stayed at 5 different accommodations making transportation challenging and the coordination of attending events to support each other was sometimes difficult.

III. Strategies applied to address main challenges

- a. The cost of rising airfare was unavoidable as the delegation did not have the necessary funds in the first quarter of the year. This challenge can only be over-come if the necessary funds from government allocation, sponsors and fund-raising efforts could be made available earlier.
- b. The department decided to reach out to other organisations that are passionate about cultural and artistic development for financial assistance to take some financial burden away from the individuals and groups participating in CARIFESTA.

- c. Regarding inoculations, the department reached out to the Ministry of Health in Anguilla and the CARIFESTA Secretariat in Trinidad and confirmed that there was no need for the vaccine.
- d. We received assistance from the CARIFESTA organising team regarding naming accommodations in Trinidad that were not fully occupied that the two teams could have lodged.
- e. The transportation challenge was resolved once the CARIFESTA organisers were able to assign a designated a bus and driver to Anguilla.

IV. Outcomes of Activities and/or Projects

- a. The delegation put on a stellar performance at the Country Night on the 19th August 2019 at Queens Park Savannah (QPS) with a production entitled “*Sweet Salt: An Anguillian Fable*” directed by Collette Jones Chin and choreographed by Nichola MacDonald. The performers included From Within Dance Elite Company, STAGES Anguilla, Roots Binghi, Fiona Wilkinson, Rebecca “Queen B” Webster and Roxanne “Roxxy” Webster. The Anguilla National Culinary Team was also included in this production by providing the audience with scrumptious Anguillian treats.
- b. Apart from the Country Night performance, Anguilla was represented on many different stages at CARIFESTA:
 - a. Roxxy gave riveting performances wearing her crowns well at QPS, Big Black Box (BBBox) and the Southern Academy of Performing Arts (SAPA) with both Calypso and Soca performances.
 - b. Queen B commanded and captivated the attention of her audiences at the QPS and SAPA performing her calypso renditions.
 - c. Roots Binghi was a favourite at every performance, with their original Binghi uye pieces at QPS, SAPA, BBBox and the Community Festival in Mayaro.
 - d. Vanessa Croft Thompson delivered mesmerising and expressive spoken word performances at BBBox, SAPA and the Lit Fest at the *Streets of the Caribbean* at the Grand Market.
 - e. Louise Brooks had her art work entitled “A glimpse of Anguilla” consisting of vibrant colours to portray our country displayed in the CARICOM Art Gallery.
 - f. The Anguilla National Culinary Team provided delicious food and drinks to CARIFESTA enthusiasts, with food being sold out in less than two hours every day that they cooked!

- g. From Within Dance Elite Company showed up and showed out. The dancers were exemplary in their craft and represented well at “We DancING TrInbago” at SAPA, “We Can Dance Wednesday” at the Youth Village, “Collage” at SAPA and at the Grand Market at QPS.
- h. And finally, STAGES Anguilla put on an appealing and heart-touching production of “*Virtue*” on the 18th August at the Central Bank Auditorium. The production ended in Charisma Jones Chin soulfully singing Naughty Boy’s “Running” whilst members of STAGES Anguilla danced.

3. Lessons Learnt/Recommendations for the future

- a. CARIFESTA XV will be held in Antigua in 2021 and there have been recommendations to charter a flight to Antigua to ensure that the delegation travels together as well as to combat rising flight costs. Anguilla is also anticipating a larger delegation in 2021.
- b. The organisation of CARIFESTA should start sooner, to ensure that numbers of delegates willing to attend is known in efforts to book accommodation. A recommendation was also made for the whole delegation to stay in the same location and closest as possible to the CARIFESTA main venue as it is better for those organizing logistics.
- c. We recommend that before travelling to CARIFESTA, all of our delegates are aware of the events they should be performing or taking part in and what is needed of them prior, to such to ensure smooth delivery.
- d. A more uniformed approach to the official delegation (printed shirts for traveling, national wear for parade of nations, Anguilla merchandise to support the delegation including flags, rags etc.) should be invested in to show patriotism and team spirit.
- e. A showcase of the Country Night to the Anguillian public prior to CARIFESTA as a method of fundraising to be used for miscellaneous expenses. This would also allow the Anguillian public a first-hand view, not only of local talent, but how Anguilla would be represented at the festival and would allow persons at home to share in the national pride that normally accompanies CARIFESTA.

Appendix 1

Name of Organisation	Contact Person	Number of persons in Contingent	Suggested Sponsorship	Total Amount for Sponsorship
STAGES Anguilla	Collette Jones-Chin	15	<i>Contribution towards airfare for the delegation</i>	\$12,884.33
From Within Dance	Amber Woodley	10	<i>Contribution towards airfare for the delegation</i>	\$12,884.33
ALAK Art Gallery	Louise Brooks	1	<i>Contribution towards airfare for the delegation</i>	\$1,204.93
Roots Binghi	Trevor ‘Ras Bucket’ Davis	7	<i>Contribution towards airfare for the delegation</i>	\$6,442.16
Vanessa Croft-Thompson	Vanessa Croft-Thompson	1	<i>Contribution towards airfare for the delegation</i>	\$1,204.93
Anguilla National Culinary Team	Kelston Connor Gilda Gumbs-Samuel	7	<i>Contribution towards airfare for the delegation</i>	\$9,663.25
Rebecca “Queen B” Webster	Rebecca “Queen B” Webster	1	<i>Contribution towards airfare for the delegation</i>	\$1,204.93
Roxanne Webster	Roxanne Webster	1	<i>Contribution towards airfare for the delegation</i>	\$1,204.93
Department of Youth and Culture	Kalyn Mairyshaw (Support Staff)	1	<i>Contribution towards airfare for the delegation</i>	\$5,209.73
Totals		44		\$51,903.52