

Annual Report **2019**



Seychelles **Pension** Fund



Save for your retirement, secure your future



Self-Employed **#protectingyou**



SEYCHELLES PENSION FUND

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"Save for your retirement, secure your future"

Please address all correspondence to the Chief Executive Officer

Ref: SPF/Ann/Rep/50

Date: 20th March 2020

Mr Maurice Loutan-Lalanne
Minister for Finance, Trade and Economic Planning
Liberty House
Victoria

Dear Minister Lalanne

Re: Submission of Annual Report in Accordance with Section 54 of the SPF Act 2005

I have the honour and pleasure to submit to you the 14th Annual Report of the Seychelles Pension Fund in accordance with Section 53(S) of the SPF Act 2005, which includes the audited Financial Statements for the year ending 31st December 2019.

As per the normal established procedures, we shall table the report to the National Assembly as required under the same Act.

Yours sincerely

Lekha Nair (Mrs)
Chief Executive Officer

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FOREWORD FROM THE CHAIRMAN



“I am delighted to report that once again SPF has managed to record another successful year”

On behalf of the Board of Trustees of the Seychelles Pension Fund (SPF), I am pleased to introduce the Annual Report of SPF for the year 2019 in accordance with article 53(5) of the SPF Act, 2005.

This Annual Report has been produced to provide our members and stakeholders an overview of the activities and performance of the Fund for the financial year 2019. It also provides an insight into how SPF is managed for the benefit of the Seychellois workers.

I am delighted to report that once again SPF has managed to record another successful year, with its assets growing to just over SCR 3.3 billion and generating net returns of 7% from all its investments. Membership has grown to 96% coverage of the working population.

The responsibility for the overall management of the affairs of SPF, including investment decisions is vested in the Board of Trustees. In that respect we started the year by setting ourselves and management, key financial and non-financial KPIs, ranging from value of the fund, investment returns etc., to specific targets for income and expenditure.

I am happy to report that we achieved most of these set objectives for the year. One notable achievement was the rebalancing of the fund’s investment portfolio, resulting in a reduction of the Fund’s investment in real estate from 51% in 2018 to 47% in 2019 and an increase in equity investment from 19% to 27%. This was possible as result our decision to acquire 22% equities in Cable and Wireless (Seychelles) Limited for SCR330 million.

The Board of Trustees also reviewed its Board Charter, Audit Charter and many policies of SPF during the year. In 2019, the Board commissioned three independent audits of SPF’s administrative costs, investments and property costs, organizational structure and human resource development.

The audits concluded that SPF is on the right track, albeit certain audit recommendations that will be addressed by management in the coming year. The foundations have been laid, policies have been strengthened and the governance principles have been tested and found to be robust.

SPF also received at the end of the year, its new Actuarial Valuation Report for 2018, as required under SPF Act, where actuarial evaluation must be undertaken every three years.

The report assessed the financial soundness of SPF over the long term and revisited the adequacy of contribution rates and benefits over a period of 60 years of revenues and expenditures.

SPF has been described by the Actuary as being a YOLD scheme-both a young and an old scheme; young because it has only 13 years of existence and old because the working life of the members is almost recognized in the benefits going back to 1979. The main recommendation is that for the long-term sustainability of the Fund, SPF must review its contributions rates as per a planned approach beginning with 2021. As such, SPF must continue to adapt to future challenges, ensuring resources are appropriate and aligned to implement these changes.

I take this opportunity to express my sincere appreciation and to thank all the members of the Board for their contribution, stewardship and support in bringing SPF to where it is today. I also wish to acknowledge the hard work and dedication of the Chief Executive Officer, management and staff of SPF whose tireless efforts have ensured that SPF discharges its responsibilities as mandated.

I look forward to continue working closely with all of them in the future.

Jacquelin Dugasse
Chairman



"We are making it our mission every day to focus on the long-term financial security of thousands of Seychellois"

Introduction

As another year passes by, I am delighted to be introducing Seychelles Pension Fund's 2019 Annual Report. It is that time again for us to share our results and review our performance.

As a function of the valued relationship we have with our members, we are making it our mission every day to focus on the long-term financial security of thousands of Seychellois. We try hard to make sure every single decision we make is rooted in that long-term objective. As a consequence of our efforts, those thousands of Seychellois who rely on us can, in turn, focus more of their attention on their own important roles within our country. Together, we rely on each other's specific expertise and dedication to create a more vibrant, prosperous country.

It is a privilege to play this important role within our national ecosystem, but also a daunting one, and 2019 presented us with many challenges. As the only national pension fund in Seychelles, we encounter challenges every day, from making complex technical investment decisions to ensuring contribution adequacy and pension payouts sustainability. At times we are also forced to contend with baseless criticism, but we at SPF remain firmly oriented towards our long-term goal of pensions for life for all our members upon retirement. We remain on track to achieve this through proper planning and building an investment solution that generates solid risk-adjusted returns over time.

Overall performance

SPF registered its best ever performance in 2019 with a total surplus of SCR 138 million with the highest net investment surplus of SCR 53 million and the highest amount collected in voluntary contributions of SCR 28 million, since its inception 13 years ago. A surplus of SCR 85 million was made from contributions over pension payouts, this is the highest for the last four

years. This together with the net surplus of investment income over investment expenses and administrative costs without fair value of SCR 53 million make up the total surplus of SCR 138 million, year on year, which is 21% higher than 2018 and the most surplus made so far by SPF. However, with SCR 9 million of the newly introduced refund of voluntary contributions paid out in 2019, the total surplus was SCR 129 million.

Investments

In 2019, we delivered on one of our most important focused targets, two years before the expected date: investment diversification. Our investment portfolio at the end of the year boasts 47% real estate, 27% equities, 23% fixed income and 3% cash. The overall net return has been 7%, a drop of 2% from 9% in 2018 because of a major fair value increase of SCR 54 million in equities in 2018 that helped the increase in return to 9%.

SPF currently has shareholdings in 6 domestic companies with the addition of Cable and Wireless Ltd in December 2019:

Seychelles Breweries, SACOS, Al Salam Bank of Seychelles, Seychelles Commercial Bank, and Central Common Cold Stores. In an effort to further diversify our portfolio and take advantage of new opportunities, SPF will be in the coming years, making more international investments. Today SPF has SCR 267 million invested in overseas equities which accounts for 7% of our portfolio, varying from fixed income instruments, unlisted equities, and listed equities on the international stock exchanges.

On the real estate side, rental income is the main source of investment income at SCR 118 million, compared to SCR 115 million in 2018, representing an increase of 2% with an overall return of 8% from real estate.

On the projects front, the Ile Perseverance Residential Apartments Project was completed: 24 two-bedroom apartments and 18 one-bedroom apartments on a plot of 3127 square metres at Ile Perseverance, which is being sold to Government in 2020. The second project to be completed was a block of new offices on the 4th floor at Le Chantier Mall. This project was a remedial move to address water leakage and extensive terraced roof damage affecting the tenants. The new 336 square metre commercial space with all the necessary facilities, resolved the water leakage problem and will earn additional rental income for SPF, given the high demand for office space in Victoria. The last project to be completed in 2019 was the renovation and conversion of a disused warehouse at Huteau Lane to a modern gym. The project was an innovative approach to obtain additional rental and also diversify the rental options away from office space.

Responsible investment has been part of our DNA since inception, with over 12% of our investments going towards infrastructural development of the country, such as much needed commercial spaces. This has helped us mitigate our risks in investments while still benefitting from the upside potential. SPF hopes to lead the way towards a more resilient future by increasing our environmental, social and governance accountability.

Cognizant that most investments today are focused on integrating environmental, social and governance (ESG) benchmarks into investment decisions, we at SPF are looking at adopting the ESG investment principles. We are continually exploring options to further integrate ESG criteria into our investment decisions like our recent switch to housing, that not only makes economic sense to SPF but is also addressing the country's needs.

Membership

Members' funds stood at SCR 1.6 billion in 2019 and represented a 7% increase over 2018 (SCR 1.5 billion). The total registered membership of SPF continued to increase in the year 2019 with a total of 43,715 active members compared to 43,561 in 2018, an increase of 154 members. Membership will hereafter stagnate as we have reached an all-time peak of 96% of the workforce, the remaining being unemployed for various reasons such as on training, in between jobs etc.

The total employers registered with SPF stood at 3,328, an increase of 7% from 3,120 in 2018, whilst self-employed registered an increase of 11% to 2,106, a record high from 1,896 in 2018.

Contributions

In 2019, a total of SCR 395 million was collected as mandatory contributions, representing an increase of 19% compared to SCR 333 million in 2018, due mainly to the 0.5% increase in contribution rates for employers from January 2019.

SPF also saw a record-breaking increase in voluntary contributions in 2019, with an impressive SCR 28 million collected, an increase of 56 % compared to SCR 18 million in 2018. A new amendment to our SPF Act came into force in 2019, also allowed members at the age of 55 years, to claim voluntary contributions entirely or partially. This led to 219 members claiming voluntary contributions of SCR 9 million in total during the year.

Pension payments

SPF paid a total SCR 338 million to 5,918 beneficiaries in 2019, showing an increase in payment of 18% compared to 2018. However with the SCR 9 million paid for voluntary contribution, total paid was SCR 347 million.

For retirement pension alone there were 4,482 recipients, aged 60 years and above, who were paid retirement pensions of SCR 265 million, increases of 6% in numbers and 19% in amount paid compared to the previous year.

Customer care

SPF is continually striving to provide the best customer experience for all of our members. In 2019 we worked hard to engage with all our customers through an online self-service facility which enables all our members as well as employers to access their pension information and make payments to SPF through a secure portal from the comfort of their own home or workplace. SPF has also improved its communication outreach, with a newly designed more user friendly and comprehensive website. We recognize the need to communicate information and updates to our members and employers alike, and are keen to encourage greater use of our online facility going forward.

Continuous development of our staff: the heart of SPF

One of our greatest achievements last year was capacity development for our staff. We partnered with the International Social Security Association (ISSA) and the ILO Training Centre in Turin, Italy to run an in-house training for all staff in the Pensions Department on Service Quality.

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SPF also entered into a new partnership with the World Bank through a RAMP program, to further enhance the technical capabilities of our staff in the Investments and Risk Section.

Our staff also attended many international forums and workshops to help develop their knowledge and skills in pension administration.

In November, SPF held an annual general staff meeting during which staff members voiced out their concerns and challenges they were facing, and jointly proposed solutions.

The achievements of SPF were highlighted internationally at the African Investor (Ai) organized summit, African Sovereign Wealth and Pension Fund Leaders' Summit and Infrastructure Awards in Cape Town last September, which also included the participation of the Head of State, President Danny Faure. I was also invited to be a panelist on the sidelines of the UN General Assembly in New York to share Seychelles' perspective at the CFA Climate and ESG Asset Owners Summit. As a shareholder of Afrexim bank, SPF also attended the annual general meeting of Afrexim bank in Moscow.

Concluding remarks

The secret to SPF's continued success is its dedicated staff members, most of whom have been with the organization for many years.

They work tirelessly and are always available to respond to the ever-changing needs of our Fund and its members.

I wish to express my sincere appreciation to all of the staff at Seychelles Pension Fund who have contributed towards the current success of SPF. As CEO, it is an honor to form part of such a hardworking and committed team, driven solely for and by the success of SPF.

My sincere thank you also goes to the Chairman and the Board of Trustees for their trust and continued support, without which our many achievements would not have been possible.

Although we are delighted to have achieved substantial milestones over the years, we recognize there are many more to deliver in the years to come and remain committed to our mission: the long-term financial security for all our members upon retirement.

Lekha Nair
Chief Executive Officer

Online Mandatory Contributions

01

Registration is easy!

Confirm your Employer Number & Company Details

Download a Blank XML

SPF provides a 'Template XML' for you to add your employees and reuse the same template each month

02

03

SPF e-Contributions

Upload & Send us your completed XML of your employees contributions

Make Payment

Once you have sent SPF your XML you can then access the ABSA Payment Portal or transfer from your own bank

04

05

Reconciliation

All payments will be processed and verified in the shortest possible time.

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2019 HIGHLIGHTS

A. Total Net Assets

SCR 3.3 Billion (2019)
SCR 3.0 Billion (2018)

B. Membership

Total Members' Funds: SCR 1.6 Billion
(SCR 1.5 Billion in 2018)

Active Members: 43,715 (43561 in 2018)
(96% coverage of working population)

Total active employers registered with SPF: 3,328 (increase of 7% from 3,120 in 2018)

New employers: 307
(reduction of 2%, from 314 in 2018)

Total active self-employed registered with SPF: 2,106 (increase of 11% from 1,896 in 2018)

New Self Employed: 220
(reduction of 9% from 243 in 2018)

C. Contributions

Mandatory Contributions: SCR 395 million received from 43,715 contributors
(19% increase compared to SCR 333 million from 43,561 contributors in 2018)

Voluntary Contributions: SCR 28 million received from 8,325 contributors
(SCR 18 million from 8,150 contributors in 2018)

Total Contributions: SCR 423 million
(increase of 21% - SCR 351 million in 2018)

D. Pension and Benefits

Total Pension and Benefits: SCR 338 million – paid to 5,918 beneficiaries
(increase 18% - SCR 286 million to 4,929 in 2018)

Retirement pension (including Voluntary): SCR 265 million paid to 4,482 beneficiaries
(increase of 19% SCR 223 million to 4,214 beneficiaries in 2018)

Permanent Incapacity pension: SCR 45 million paid to 774 beneficiaries
(increase of 15% SCR 39 million to 710 in 2018)

Spouse Pension: SCR 21 million paid to 486 beneficiaries
(increase of 24% - SCR 17 million to 420 beneficiaries in 2018)

Children Pension: SCR 5 million paid to 176 beneficiaries
(increase of 25% - SCR 4 million to 157 beneficiaries in 2018)

Others: SCR 2 million -568 refunds
(SCR 3 million to 400 in 2018)

Voluntary Contribution refund (55 years+): SCR 9 million
Newly introduced in 2019

E. Default cases of employers

275 (304 in 2018)

Amount recovered was: SCR 1.3 million
(SCR 3 million in 2018)

Surcharges levied was: SCR 1 million
(SCR 1.1 million in 2018)

F. Investments

Total investment income without fair value: SCR 189 million
(SCR 173 million in 2018)

Total investment income with fair value: SCR 237 million
(SCR 282 million in 2018)

Total expenditure for investments and administration: SCR 136 million
(SCR 124 million in 2018) Total expenditure with fair value / depreciation for investments and administration: SCR 141 million (133 million in 2018)

Net rate of return for 2018 on all investments:
7% (9% in 2018)

Investment income without fair value represented 31% of total revenue of SPF
(33% in 2018)

G. Surplus

Excess contributions over pension and benefits paid: SCR 85 million
(increase of 31% - SCR 65 million in 2018)

Excess of investment income *without* fair value, over all investment expenses and administrative costs: SCR 53 million
(SCR 47 million in 2018)

Excess of investment income *with* fair value, over all investment expenses and administrative costs: SCR 96 million
(SCR 149 million in 2018)

Total Surplus *without* fair value for 2019:
SCR 138 million
(SCR 114 million in 2018)

Total Surplus *with* fair value for 2019:
SCR 181 million
(SCR 214 million in 2018)

H. Properties

27 properties on Mahé, Praslin / La Digue

4 being developed
3 to be developed

Income from rentals: SCR 118 million
(SCR 115 million in 2018 - 2% increase)

Property maintenance expenses:
SCR 31 million (26% of income)
(SCR 37 million in 2018)

Net profit from rentals: SCR 87 million
(SCR 78 million in 2018)

Average occupancy rate of all SPF properties for the year is: 98%
(96% in 2018)

Real Estate worth SCR 1.6 billion (at Market Value)
(SCR 1.5 billion in 2018)

I. Projects

3 projects completed in 2018:

- (a) Ile Perseverance Residential Apartments
- (b) Le Chantier Mall (creation of new office block on 4th floor)
- (c) Conversion of Warehouse to Gym at Huteau Lane Project

3 ongoing projects:

- (a) New commercial building at Independence Avenue (ex pirates arms)
- (b) Ile du Port Micro Enterprise
- (c) Pointe au Sel housing project

J. Staffing

SPF Workforce: 128
(2% decrease - 130 in 2018)

6 Vacancies filled

5% Staff Turnover (7% in 2018)

Training: 100% staff underwent some form of training during the year

18% of staff attended overseas courses/workshops/seminars/international representation

K. Administrative Expenses

SCR 48 million
(9% increase compared to SCR 44 million in 2018)

Seychelles Pension Fund

Key events during the year



SPF takes part in Eco-Healing Marathon

FEBRUARY



Visit of newly appointed SPF Actuary, BBL World Actuaries

APRIL



SPF awarded prize for most visited stall at the Financial & Trade Fair held during the weekend 22-23 June on La Digue

JUNE



JANUARY

Opening of new SPF office in Providence Industrial Estate

SPF introduces amendments to its ACT relating to retirement age, spouse pension, new pension for dependents of members, maximum monthly pension payable and early access to voluntary contribution

MARCH

SPF CEO attends the 26th AFREXIMBANK AGM in Moscow



MAY

SPF May Day mass at the Roman Catholic cathedral to commemorate Labour Day



JULY

Familiarisation visit of SPF office by Finance Minister Mr. Lousteau-Lalanne





SPF Social Committee hike from Victoria to Mare Anglaise, Beau Vallon via Mont Signal for all staff

AUGUST



Creole lunch organised by SPF Social Committee



Meeting with RAMP officials of World Bank

OCTOBER



Breakfast with SPF - Launch of e-Pension services at the STC conference centre

DECEMBER



SEPTEMBER

SPF CEO attended the African Investor (Ai) African Sovereign Wealth & Pension Fund Leaders' Summit and Infrastructure Awards in Cape Town on 3rd September, along with the Head of State, President Danny Faure.

SPF CEP Participation in the summit organized by CFA on climate change and ESG for asset owners and Pension Funds

SPF participates in 'Clean up the World' Campaign at old people's home at English River.



NOVEMBER

SPF Team BUILDing activity and annual general staff meeting at Berjaya Beau Vallon Bay hotel.

Seychelles Pension Fund acquires shares in telecommunications company Cable & Wireless

SPF sports day for all SPF staff



Seychelles Pension Fund

1.5 | CORPORATE GOVERNANCE SPF BOARD OF TRUSTEES

1.5.1 Seychelles Pension Fund is governed by a Board of Trustees, entrusted with the overall strategic direction of the organization. The Board of Trustees was appointed by President Danny Faure for a period of 3 years effective, 1st March 2018.

In 2019 the composition was as below:

Mr Jacquelin Dugasse	Chairman
Mr Patrick Payet	Member
Ms Cillia Mangroo	Member
Mr Ravi Valmont	Member
Mr Antoine Robinson	Member
Mr Peter Sinon	Member
Ms Cindy Vidot	Member
Ms Marie-Claire Marie	Member
Mr Bernard Adonis	Member
Ms Elsie Morel	Member
Ms Malika Jivan*	Member
Ms Brenda Morin*	Member

* In November 2019, two board members, Ms. Brenda Morin and Mrs. Malika Jivan resigned from the Board.

A total of ten meetings were held during the year and attendance was as follows:

Mr Jacquelin Dugasse	Chairman	10/10
Patrick Payet	Member	7/10
Ms Cillia Mangroo	Member	7/10
Mr Ravi Valmont	Member	5/10
Mr Antoine Robinson	Member	8/10
Mr Peter Sinon	Member	9/10
Ms Cindy Vidot	Member	6/10
Ms Marie-Claire Marie	Member	9/10
Mr Bernard Adonis	Member	9/10
Ms Elsie Morel	Member	10/10
Ms Malika Jivan	Member	4/10
Ms Brenda Morin	Member	8/10

Ms Audrey Nanon	Secretary	9/10
Ms Maylene Spiro	Alternate Secretary	1/10

1.5.2 Board Committees

The Board of Trustees comprises of three committees;

1. Investment and Finance Committee
2. Audit and Risk Committee
3. Remuneration Committee

In addition to the above, there are also four independent committees assisting the Board and Management:

Independent committee assisting the Board and Management

a. Tender and Evaluation Committee

The members of the Tender Evaluation Committee are as follows;

Mr. Jean Weeling-Lee	Chairperson
Mr. Mike Laval	Member
Mr. Jean Rassool	Member
Mr. Steven Rousseau M	Member
Mrs. Fanette Albert	Member
Mr. Tommy Marie	Secretary (SPF)

b. Tender Review Panel

The members of the Tender Review Panel are as follows;

Mr. Jean-Claude D'offay	Chairperson
Mr. Phillip Chong Seng	Member
Mr. Patrick Stravens	Member
Ms. Amanda Faure	Member
Ms. Theresette Marie	Secretary (SPF)

c. Medical Board

The Medical Board reviews all applications for Incapacity pension and Dependent Adults with severe disability pension. It comprises of medical practitioners both from the private and public sector:

Dr. Meggy Louange	Chairperson
Dr. Naomi Adeline	Member (for 10 months)
Dr. Vanessa Lesperance	Member
Dr. Henry Telemaque	Member
Dr. Miodrag Todorovic	Member
Ms. Beccy Farabeau	Secretary

d. Appeals Committee of the Medical Board

A new Appeals Committee of the Medical Board was set up in 2019 to review all appeals cases of the Medical Board. The composition of the Appeals Committee is as follows:

Dr Kenneth Henriette	Chairperson
Dr Daniella Malulu	Member
Dr Sethu Chetty	Member
Ms Beccy Farabeau	Secretary

1.6 | MANAGEMENT OF SPF

The Seychelles Pension Fund is headed by a CEO, appointed by the President. This role, for the past five years has been occupied by Mrs Lekha Nair who was reappointed by the President in 2018 for a period of three years.

She is assisted by two General Managers, Mr. Jeffrey Moses, General Manager for Pension, and Mrs Audrey Nanon, General Manager for Corporate Services.

There is a third post for General Manager for Investments which remains unoccupied.

NAME	DESIGNATION	DATE JOINED SPF
Mrs Lekha Nair	CEO	01 February 2015
Mr Jeffrey Moses	General Manager Pensions & Benefits	01 May 1999
Mrs Audrey Nanon	General Manager Corporate Services	01 February 2017
Mr Solobodan Dimitrovski	Head of Internal Audit	01 March 2019
Ms Nisreen Abdulmajid	Chief Financial Officer	01 November 2015
Mr Tommy Marie	Chief of Projects	20 August 2007
Mr Marcus Marie	Chief Property Officer	01 July 2014
Mr Michael Charlette	Chief Risk Officer	18 April 2017
Ms Jane Suzette	Chief Benefits Officer	01 May 2010
Mr Steven Rosalie	Chief IT Officer	01 May 2013
Mr Davis Laporte	Chief Investments Officer	15 July 2019
Mr Evans Mondon	Manager, Finance	01 April 1993
Mrs Lyne Bonte	Manager, HR & Administration	01 September 2005
Mr Darell Bristol	Manager, Marketing & PR	01 October 2004
Mrs Theresette Marie	Manager Investments	26 June 2010
Ms Celine Pool	Manager, Contributions	26 November 2007
Mrs Tessy Poris	Manager, Praslin & La Digue	18 April 2006
Ms Maylene Spiro	Manager, Risk Management	01 September 2015
Ms Lyne Moustache	Quality Assurance Analyst	19 February 2007
Ms Chantal Renaud	Manager, Property	01 September 2015
Mr Nicholas Etienne	Manager, Customer Relations	12 January 1998
Ms Chantal Roselie	Manager, Projects	10 October 2005
Mr Vincent Adam	Manager, Projects	01 June 2009
Ms Mandy Payet	Manager, Processing	01 January 2006
Mr Adrian Pillay	Asst Manager, Internal Audit	04 September 2017
Mr Christopher Nicette	Manager, Projects	01 November 2017
Ms Rudy Rose	Manager, Compliance	10 June 2019

Seychelles Pension Fund

1.6.1 Management Committees

a. Management Investment Committee

The Management Investment Committee meets every week or as required and is the forum for anything relating to investments and projects where they are initially screened and recommended to the Board.

b. Procurement Committee

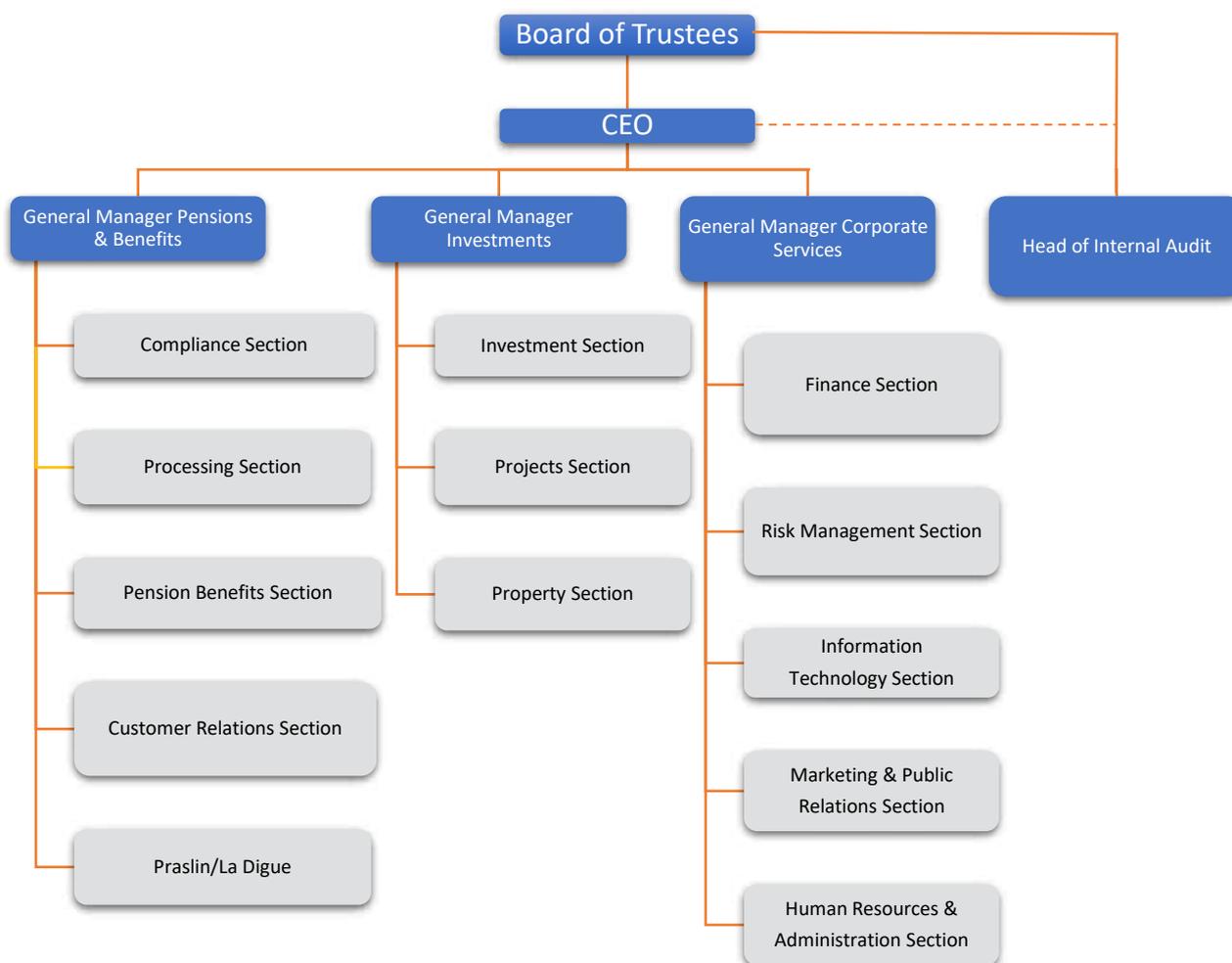
The Procurement Committee was established to ensure compliance with SPF's procurement policy. The committee ensures that the most competitive procurements are always made.

Procurement committee is made up of the Chief Executive Officer, General Manager Corporate Services, General Manager Pension, Chief Finance Officer and Administration and Human Resource Manager.

c. Disciplinary Committee

This Committee deals with all unethical work practices and disciplinary issues of SPF staff. The General Manager Corporate Services is the chairperson of the committee and is assisted by Chief Finance Officer, Chief Investment Officer and Administration and Human Resource Manager.

1.6.2 Organisation Structure of SPF



CHAPTER 2 | THE OPERATING ENVIRONMENT

- 2.1 ECONOMIC BACKGROUND**
- 2.2 CORPORATE INFORMATION**

2.1 | ECONOMIC BACKGROUND 2.2 | CORPORATE INFORMATION

2.1.1 Introduction

The economic landscape of Seychelles in 2019 was more or less comparable to 2018. Real Gross Domestic Product (GDP) growth was 3.9% versus 4.1% in 2018, supported by value-added contributions from the tourism and communication sectors with modest inflationary risks.

As an economic pillar, the tourism sector enjoyed another year of good performance in 2019. Visitor arrivals peaked 359,165 by 15th December 2019, compared to 340,039 by the same period in 2018, with foreign exchange earnings directly from the sector, having grown by 6.0%.

The USD/SCR exchange rate averaged at SCR 14.03 between January to November 2019, with the Seychelles Rupee depreciating by only 13 cents compared to the corresponding period for 2018. Stability in the exchange rate was the main contributor to low inflationary pressures in the economy. This was coupled by lower global commodity and oil prices year-on-year.

Published Consumer Price Index (CPI) figures showed a drop in 2019 inflation compared to the previous year. The 12-month average level for October 2019 was 2.1% compared to 3.7 % for October 2018. This development led the Central Bank of Seychelles (CBS) to loosen its monetary policy stance, also as of October 2019.

The labour market developments were more or less unchanged in 2019. The unemployment rate stood at 3.5% as at the second quarter of 2019 and the average earnings for the same period was SCR14,429 per month, representing a year-on-year growth of 15%. The local labour pool is still challenged by skills miss-match, requiring that many vacancies are filled by expatriate workers. As more job becomes available, the issue becomes even more apparent, with an increase in outward remittances in foreign currencies.

For SPF, these economic developments corresponds to the recorded increases in the level of contributions collected with corresponding increases in pension payouts due to wage growth.

Sources: Central Bank of Seychelles, Ministry of Finance Trade and Economic Planning, National Bureau of Statistics

2.2.1 About Us

Who we are

Seychelles Pension Fund (SPF) was established in January 2006, by an Act of Parliament, as an earning replacement mechanism to enable qualifying members to live in basic comfort upon retirement.

SPF operates a Defined Benefit pension system where its members - Seychellois employees, receive a prescribed pension amount as per a formula, upon retirement for life. It is a 'Pay-as-you-go' plan where the generation of tomorrow, pays for the workers of today, and the workers of today pay the workers of yesterday - a solidarity between generations.

What we do

SPF manages the national pension system of the country. SPF collects contributions from its members who are Seychellois workers and provides them with pensions and benefits on retirement.

Seychellois workers are those in employment in the formal sector, both the public and private sector, informal sector, the self-employed, part-time and casual workers.

Vision

Seychelles Pension Fund will be a leader and model among retirement systems, by providing the best retirement and related benefit package for its members'.

Mission

Seychelles Pension Fund is dedicated to manage and secure its funds through prudent investments and innovative methods to pay out the optimum retirement and related benefits to its members'.

Objectives of SPF

1. Secure the prompt and accurate collection of contributions and payment of all sums due.
2. Provide for the financial security of members by the payment of a monthly pension or prescribed retirement benefits and other benefits on meeting the qualifying conditions
3. Provide a timely, accurate and helpful service to our customers
4. Foster good management practices for the efficient and effective management of SPF
5. Prudent investment of excess funds which are not for the time being required by SPF
6. Manage the resources available to secure value for money in all aspects of SPF's operations
7. Provide timely and high quality advice and information about SPF to its stakeholders
8. Be customer focused at all times
9. Contribute to the social security and its evaluation and development
10. Encourage self-employed persons to be members of the Fund and contribute to the Fund
11. Enable members to save additionally through the voluntary contributions.
12. Meet our funding target through prudent and effective management of funds
13. Deliver excellent customer services to our members and other stakeholders
14. Pursue our mission within a high calibre framework of risks management

Core Values of SPF**Prudence | by Prudence we mean:**

- Acting with diligence, competence and reliability
- Delivering best results after cautious and sensible analysis

Integrity | by Integrity we mean:

- Being ethical and truthful
- Maintaining good governance practices
- Not misrepresenting or withholding information that stakeholders are entitled to
- Being reliable and accountable
- Must safeguard the credibility of SPF
- Ensure accuracy at all times

Empathy | by Empathy we mean:

- Caring
- Client focused
- High Standard of customer service

Teamwork | by Teamwork we mean:

- Working collectively and cooperatively as staff of SPF
- Smooth seamless flow of services
- Communicating openly and frequently with our stakeholders
- Setting out information in a format that is clear and understandable to all
- Being open to scrutiny and oversight

Confidentiality| by Confidentiality we mean:

- Holding strict confidence information obtained on clients of SPF
- Working with the highest professionalism at all times
- Earning the trust of all stakeholders

CORPORATE COMMUNICATION

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CHAPTER 3 | ACTIVITIES OF SPF

3.1 PENSION AND BENEFITS DEPARTMENT

3.1.1 CONTRIBUTIONS SECTION - collection of contributions

3.1.2 PROCESSING SECTION - updating of member accounts

3.1.3 BENEFITS SECTION - payment of all pensions

3.1.4 CUSTOMER RELATIONS - maintaining client relationship

3.1.5 PROVIDENCE PRASLIN, LA DIGUE OFFICES - for outreach of SPF services

3.2 INVESTMENTS DEPARTMENT

3.2.1 INVESTMENT PORTFOLIO

3.2.2 PROJECTS

3.2.3 PROPERTIES

3.3 CORPORATE SERVICES DEPARTMENT

3.3.1 FINANCE

3.3.2 INFORMATION TECHNOLOGY

3.3.3. MARKETING AND PUBLIC RELATIONS

3.3.4 HUMAN RESOURCES AND ADMINISTRATION

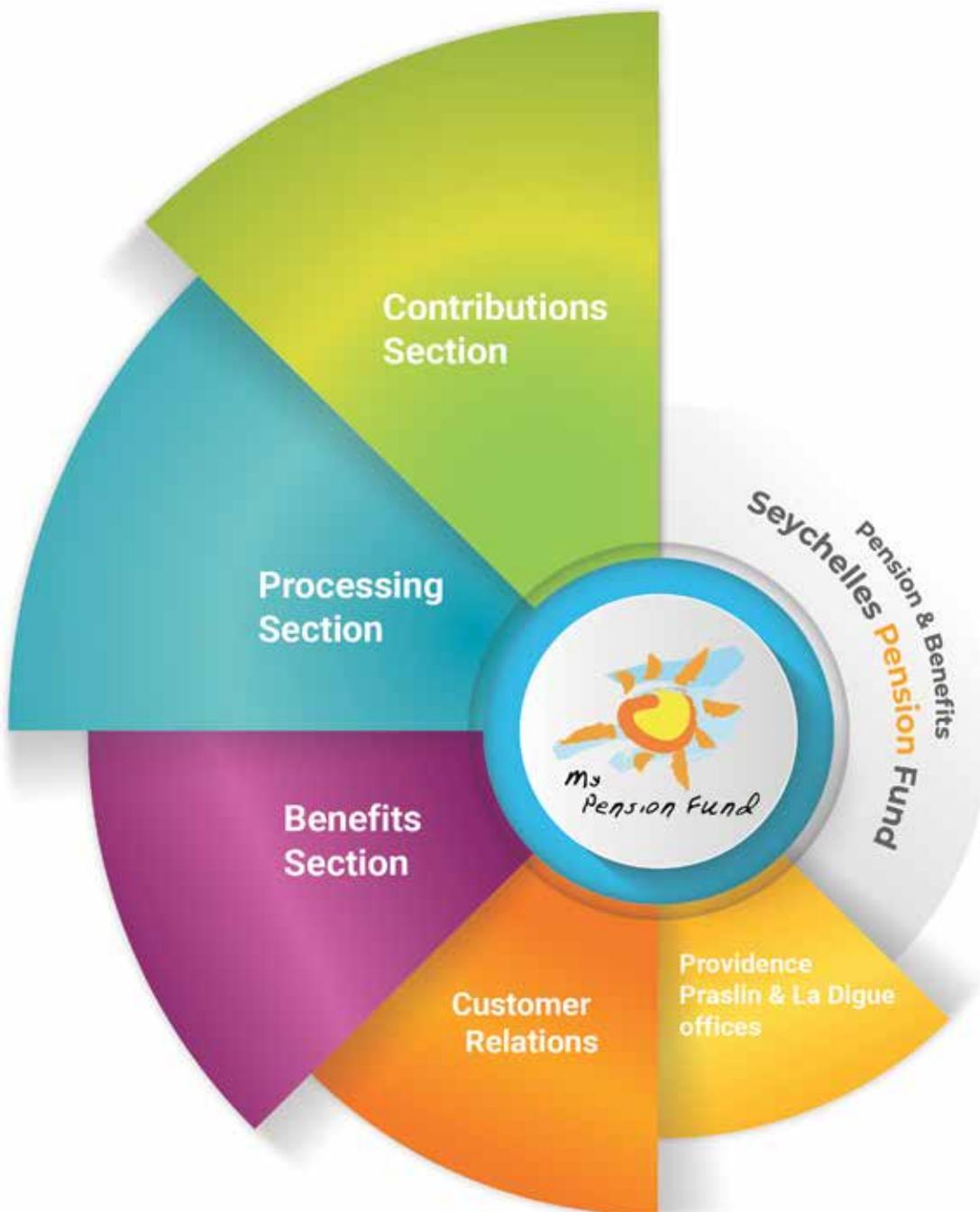
3.3.5 RISK MANAGEMENT

3.4 INTERNAL AUDIT

OUR ORGANISATION

Pension and Benefit Department - Core function
Investment Department - Supplementary function
Corporate Services Department - Support function

3.1 | PENSION AND BENEFITS DEPARTMENT



3.1.1 | CONTRIBUTION SECTION

This section is responsible for the collection of all contributions, both mandatory and voluntary, from employers and employees including the self-employed.

a) Registered members

The total registered membership of SPF continued to increase in the year 2019 with a total of 43,715 active members compared to 43,561 in 2018. The marginal increase reflects the expected levelling of total membership which is currently 96% of the total labour force of the country. A total of 1,518 new members joined SPF in 2019, but with others leaving on retirement, the net increase was 154 members.

Table showing Membership of SPF classified by age group and sex

AGE GROUP	FEMALE	MALE	TOTAL	PERCENTAGE COVERAGE
15 - 19	441	618	1,059	} 64%
20 - 24	2,484	2,349	4,833	
25 - 29	3,259	2,680	5,939	
30 - 34	3,106	2,437	5,563	
35 - 39	3,027	2,259	5,286	
40 - 44	3,002	2,131	5,133	
45 - 49	2,873	2,165	5,038	} 32%
50 - 54	2,454	1,982	4,880	
55 - 59	2,898	1,776	4,230	
60 - 63	892	770	1,662	} 4%
Over 63	45	47	92	
TOTAL	24,481	19,234	43,715	

As illustrated above, 64% of SPF members fall within the age range of 15 to 44 years and thus considered young meaning they will be contributing to SPF for a period of at least 15 years. On the other hand, SPF has to ensure that it has sufficient funds for the remainder 32%, who would be retiring in 15 years or less, plus the 4% over 60 who are still in employment.

Seychelles Pension Fund

b) Amount of contributions collected

SPF has an obligation under the SPF Act 2005 to ensure the prompt collection of contributions from employers/ employees/ self-employed and allocate these contributions to the members' accounts accurately and in a timely manner.

The Act also prescribes for the SPF to investigate any issues relating to non-payment of contributions and unregistered employers and employees and to collect arrears with surcharges if necessary. In addition, the education of employers and employees are also carried out in tandem with these monitoring and compliance activities to encourage compliance.

c) Mandatory contributions

For 2019, a total of SCR 395 million was collected as Mandatory contributions representing an increase of 19% compared to SCR 333 million in 2018.

The total contribution rate applicable for the year 2019 was 6% - 3% from the employees and 3% from the employers, with the 0.5% increase from the beginning of 2019. Self-employed persons also contribute 6% of the declared salary or SCR 410, whichever is greatest.

The mandatory contributions guarantee a monthly pension for life to each pensioner provided that they meet the criteria, which is a minimum of 10 years of continuous contribution to SPF immediately prior to retirement or an aggregate period of 20 years of contribution prior to retirement.

d) Voluntary Contributions

The Voluntary Contributions encourage members to make additional savings towards their retirement by contributing more on a voluntary basis. The minimum monthly voluntary contribution is SCR 50. Voluntary contributions, are refunded to members, with interest, when they retire or at the age of 55 years when members can withdraw full or partial amount from their voluntary contributions.

In 2019, a record-breaking amount of SCR 28 million was collected from 8325 members, an increase of 56 % compared to SCR 18 million in 2018. A total of 219 members claimed voluntary contributions at the age of 55 and above and the total amount paid was SCR 9 million.

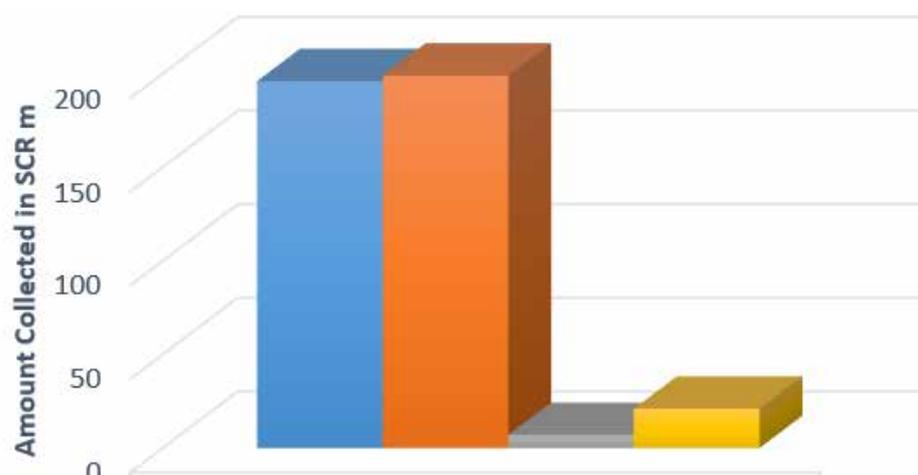
e) Match/It Scheme

SPF has a Match-It Scheme that encourages employers to match, in full or in part, whatever voluntary contributions their employees make. As at the end of 2019, a total of 15 employers participated in the scheme.

f) Comparison of contributions collected over past two years

Year	2018		2019		VARIANCE	
	Contributors	Amount SCR' m	Contributors	Amount SCR' m	Contributors	Amount SCR' m
VOLUNTARY	8,150	18	8,325	28	+ 175	+10
MANDATORY	43,561	333	43,715	395	+ 154	+ 62
TOTAL CONTRIBUTIONS		351		423		+72

g) Contributions collected for 2019



■ Employer's Compulsory Contributions	SCR 196 Million
■ Employee's Compulsory Contributions	SCR 199 Million
■ Employer's Voluntary Contributions	SCR 7 Million
■ Employee's Voluntary Contributions	SCR 21 Million

h) Recovery of unpaid contributions

A total 275 assessments cases were made against employers in default of contributions in 2019 and a sum of SCR 1.3 million was recovered.

i) Total Employers

The total new employers registered in 2019 was 307 compared to 314 in 2018. Although there was a slight reduction in registration of new employers, the overall number of employers registered with SPF was 3,328 in 2019, an increase of 7% from 3,120 in 2018.

Table showing total employers for the past four years

Years	2016	2017	2018	2019
Total	3081	3068	3120	3328

j) Total Self Employed

There was a reduction in the total number of new self-employed for 2019, 220 compared to 243 in 2018. The total self-employed registered with SPF was 2106, an increase of 11% from 1,896 in 2018.

Table showing total self-employed for the last four years

Years	2016	2017	2018	2019
Total	1,439	1,653	1,896	2,106

Seychelles Pension Fund

k) New Employers and new self-employed for the last 4 years

There has been a decrease in new employers and new self-employed for the year but it is encouraging to note that total registered employers and self-employed have increased over the years to reach the highest in 2019.

Table showing new employers and new self-employed registered

Employers				Self Employed/Others			
2016	2017	2018	2019	2016	2017	2018	2019
296	310	314	307	213	285	243	220

l) Detection of unregistered employers

Throughout 2019, SPF made several spot checks for unregistered employers and followed up on complaints lodged by employees. In total, 23 complaints were received, a decrease of 43% compared to 2018. From complaints received, 3 unregistered employers were detected. The remaining 20 cases were dealt with as queries on missing contributions.

It is encouraging to note that employees in general are more aware of their rights and the need for contributions to be paid to SPF by their employers.

A new office was also opened in January at Providence to better service the many employers based at this industrial estate. The new office serves well at month end for payment of contributions by both employees and employers, based at Providence and from the south of Mahe.

m) Rate of growth in total membership and pensioners of the Seychelles Pension Fund (2006-2019)

Throughout 2019, SPF made several spot checks for unregistered employers and followed up on complaints lodged by employees. In total, 23 complaints were received, a decrease of 43% compared to 2018. From complaints received, 3 unregistered employers were detected. The remaining 20 cases were dealt with as queries on missing contributions.

* Effective January 2019 members who have retired cannot make any further contributions to the SPF and thus cannot continue as members. The 43,715 members reflect 96% of the Seychellois labour force of the country and further growth is not expected.

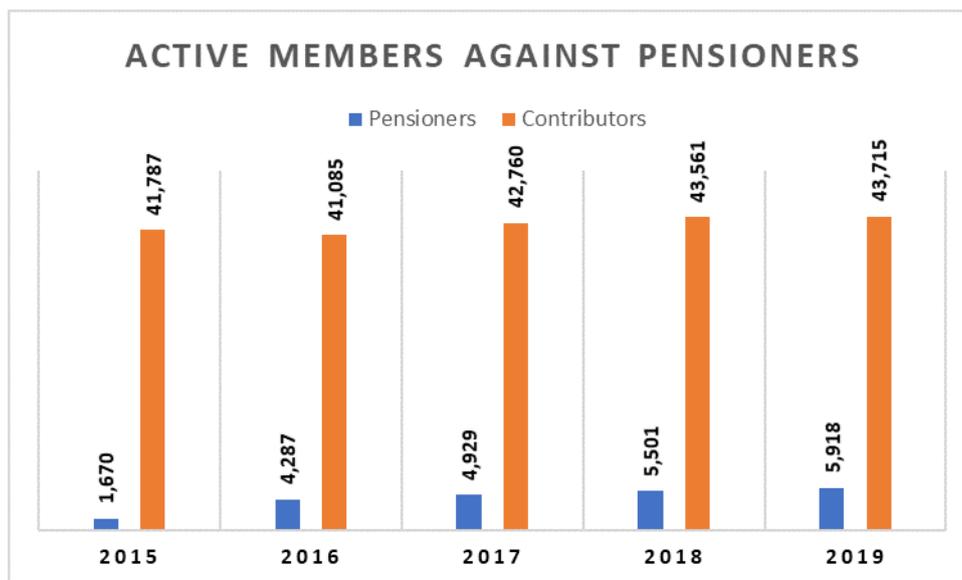
Members

Year	Number of Members	Rate of Growth
2006	33, 505	N/A
2007	32, 104	-5%
2008	32, 174	0%
2009	30, 166	-6%
2010	33, 371	11%
2011	35, 252	6%
2012	39, 461	12%
2013	40, 279	2%
2014	38, 117	-5%
2015	41, 787	10%
2016	41,085	-2%
2017	42,720	4%
2018	43,561	1.50%
*2019	43,715	0.40%

Pensioners

Year	Number of Pensioners	Rate of Growth
2006	362	N/A
2007	691	91%
2008	1041	51%
2009	1429	37%
2010	1786	25%
2011	2166	21%
2012	2528	17%
2013	2910	15%
2014	3274	13%
2015	3670	12%
2016	4,287	17%
2017	4,929	15%
2018	5,501	12%
2019	5,918	8%

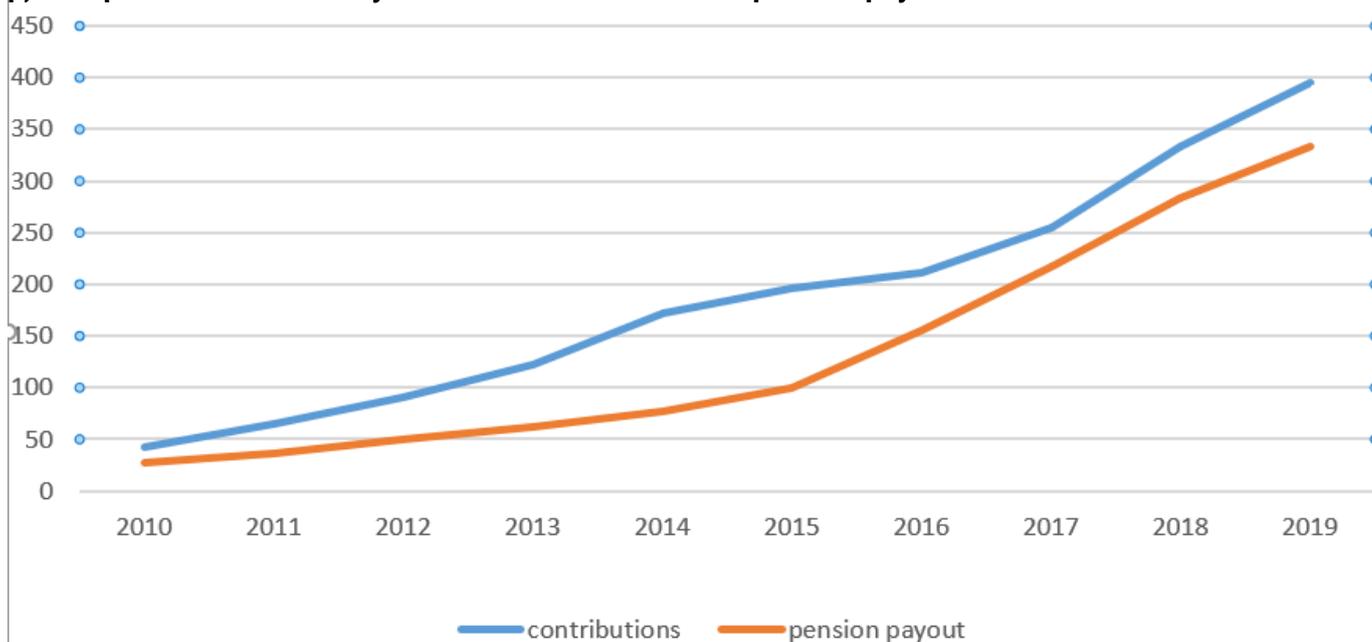
n) Comparison of pensioners with active contributors for the past 5 years



o) Excess of contributions over pension payments

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
	SCR'M													
Contribution collected (as per Financial statement)	31	32	46	43	47	70	98	128	184	205	223	270	351	423
Pension paid (as per Financial statement)	7	10	17	23	30	39	51	65	80	104	158	222	286	338
Surplus of contribution over pension payment	24	22	29	20	17	31	47	63	104	101	65	48	65	85
Less Voluntray Contribution at age of 55														9
Surplus of Contribution over Pension payment without Voluntary contribution at 55														76

p) Comparison of mandatory contributions collected vs. pension payouts



The graph shows that with the increase in contribution rates in 2018 and 2019, the narrow margin of surplus has increased from 2019 to cater to all costs of SPF

3.1.2 | PROCESSING SECTION

This section has the responsibility to update all members' accounts as and when contributions are paid in and update employment history of each employee. With the successful campaign of "pas kot fon pansyon pou en konversasyon", SPF offices have been welcoming members eager to update their employment history.

a) Members' Accounts

An account is maintained with SPF for each registered member. The account is maintained separately for the mandatory and voluntary contributions and the interest is also credited to the respective accounts.

Members' Fund stood at SCR 1.6 billion in 2019 and represented a 7% increase over 2018 (SCR 1.5 billion).

b) Interest for Members' Accounts

Members' accounts accrue interest on a yearly basis which are added to their contributions.

The interest rate for 2019 was 5.99% for Voluntary contributions. For Mandatory contributions 4.81% was credited for the first 3 months and 2.72% for the remaining months in 2019, as a new Interest Rate policy was adopted from April 2019. Interest is allocated to only "non-vested" members i.e. those not qualifying for a pension, and a total of SCR 47 million was payable as interest to members accounts for 2019, SCR 9 million increase in 2019.

The interest rate is reviewed at the end of each year following an assessment of the prevailing interest rates in the country as per the new policy.

c) Allocation of contributions

Throughout 2019, allocation for all Government employees was done automatically from public sector payrolls soft copy to SPF member accounts, as per a new software used which was also extended to the largest 50 employers in the private sector. Again, for this year SPF was able to successfully allocate all contributions paid to individual members accounts before closing the account at year end.

3.1.3 | BENEFITS SECTION

a) Types of pensions and benefits paid

1. Retirement Pension
2. Permanent Incapacity Pension
3. Surviving Spouse's Pension
4. Children's Pension
5. Dependent adult with severe disabilities Pension
6. Refunds – Migration and non-qualifying refunds

b) Pensions and benefits paid in 2019

SPF paid a total of SCR 338 million to 5,918 beneficiaries in 2019 showing an increase of 18% in amounts paid, and 8% increase in beneficiaries respectively, compared to 2018.

For retirement pension, aged 60 years and above, a total amount of SCR 265 million was paid to 4482 retirees, inclusive of voluntary lump sum refund, representing an increase of 9% for amount paid and 6% retirees compared to 4,214 in 2018. A separate SCR 9m was also paid as voluntary contribution refund on members attaining 55 years and above.

For Permanent Incapacity pension, a total of SCR 45 million was paid out in monthly pensions to 774 beneficiaries, an increase of 9% in beneficiaries and 15% increase in payment over 2018.

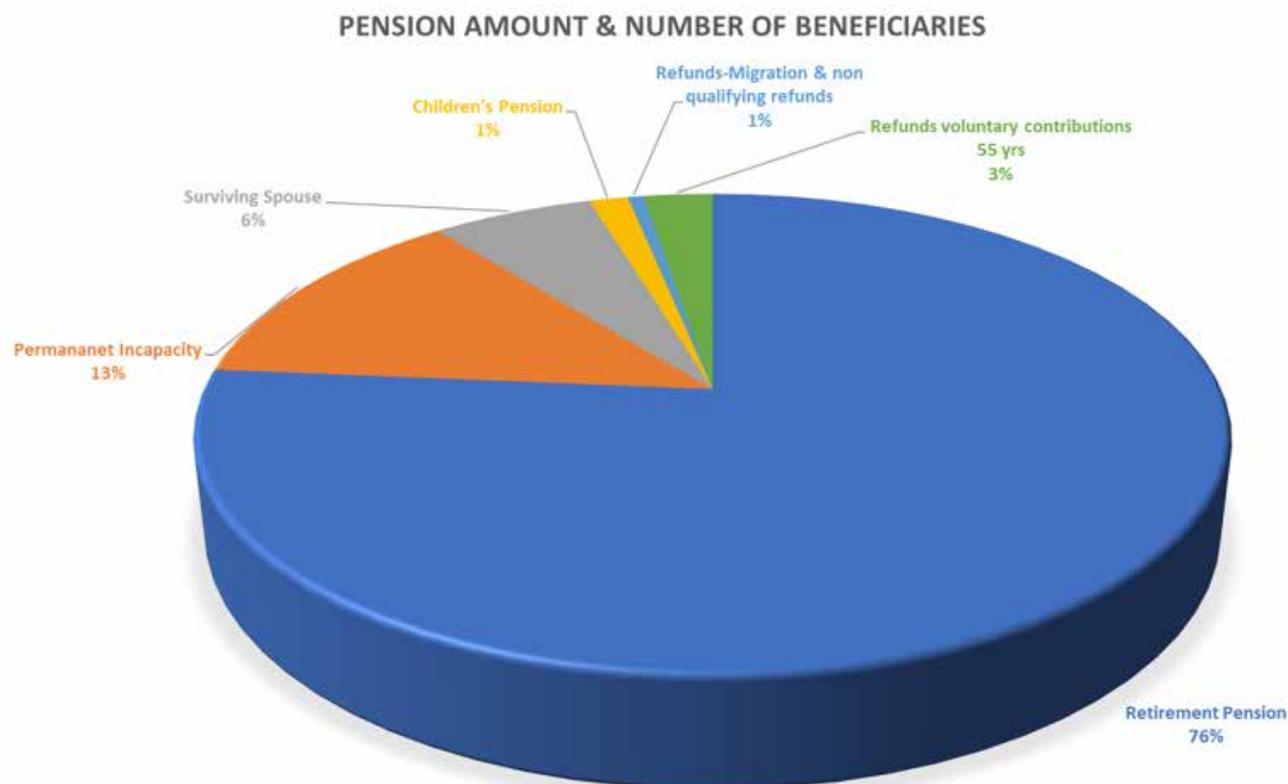
Spouse pension paid was SCR 21 million to 486 beneficiaries. This is a 16% increase in beneficiaries and 24% in payment over 2018 figures.

The children's pension was SCR 5 million paid to 176 children, a 25% increase in payment and 12% in beneficiaries over 2018.

Total refunds to 568 beneficiaries for the year was SCR 2 million, mostly on migration.

In 2019, an additional SCR 9 million was also paid out as per a new scheme introduced from the beginning of the year where members could draw on their voluntary contributions from the years of 55 onwards.

c) The chart below shows the pension amount and number of beneficiaries paid.



d) Details of pensions paid over the last 5 years

* Voluntary Contribution are payable from 55 years in 2019. For previous years, Voluntray Contributions were paid with Retirement Pension.

Year	2015		2016		2017		2018		2019	
	Beneficiaries	Amount paid SCR'm								
Retirement Pension	2,827	67	3,294	102	3,765	164	4,214	223	4,482	265
Permanent Incapacity	451	22	527	37	632	34	710	39	774	45
Surviving Spouse Pension	278	9	337	13	381	16	420	17	486	21
Children's Pension	117	2	129	3	157	4	157	4	176	5
Refunds		4		3		4		3		2
Dependents with severe disability									-	-
Total	3,670	104	4,287	158	4,929	222	5,501	286	5,918	338
Voluntary Contributions (Paid at retirement)		3*		3*		4*		3*		4*
Voluntary Contributions (Paid out at 55 yrs)										9
Grand Total	3,670	104	4,287	158	4,929	222	5,501	286	5,918	347

* Voluntary Contributions paid at retirement is already accounted for within Retirement Pension figures for 2019.

Seychelles Pension Fund

e) Indexation of pension

The indexation is a means of increasing pension annually based on the rate of inflation as at 31st October of the previous year. For 2019, based on inflation for 2018, the indexation was 3.65%. As such, all pensions were increased by 3.65% in 2019, except for pensions above SCR 75,750.

f) Administration of Public Sector Special Pension on behalf of the Government

The administration of the Public Sector Special pension on behalf of the government for 393 pensioners was continued in 2019 with a total of SCR 4.96 million paid and refunded by Government. In addition, the pension for SPDF army personnel also continued to be paid and the amount of SCR 2.89 million was fully refunded by the Government.

3.1.4 | CUSTOMER RELATIONS SECTION

a) The primary objective of this section is to liaise with all SPF stakeholders especially members. The section receives pensions and other benefit applications and provides advisory services to members to help them prepare for their retirement. Additionally, the section helps in marketing and updating member's information in the SPF's database.

A total of 2,582 customers visited our offices and were attended to in 2019, due to the continued success of the "pas kot fon pansyon pou en konversasyon" campaign.

b) Customers visiting the office and purpose:

Purpose of visit	Total Customers
Members' account enquiries	628
Pension enquiries or entitlements	469
Update Particular Forms	553
Nomination of Voluntary	628
Request members statement	304
Total	2582

c) Customer Feedback

The process of customer satisfaction and feedback is being reinforced through the use of specific forms and online services introduced late in the year. 126 complaints/compliments forms were filled by customers for the year. 125 customers were satisfied with the level of service SPF is providing and only one customer was not satisfied. We at SPF strive to always satisfy all our stakeholders and the 99% positive feedback is very encouraging.

3.1.5 | PRASLIN & LA DIGUE SECTION

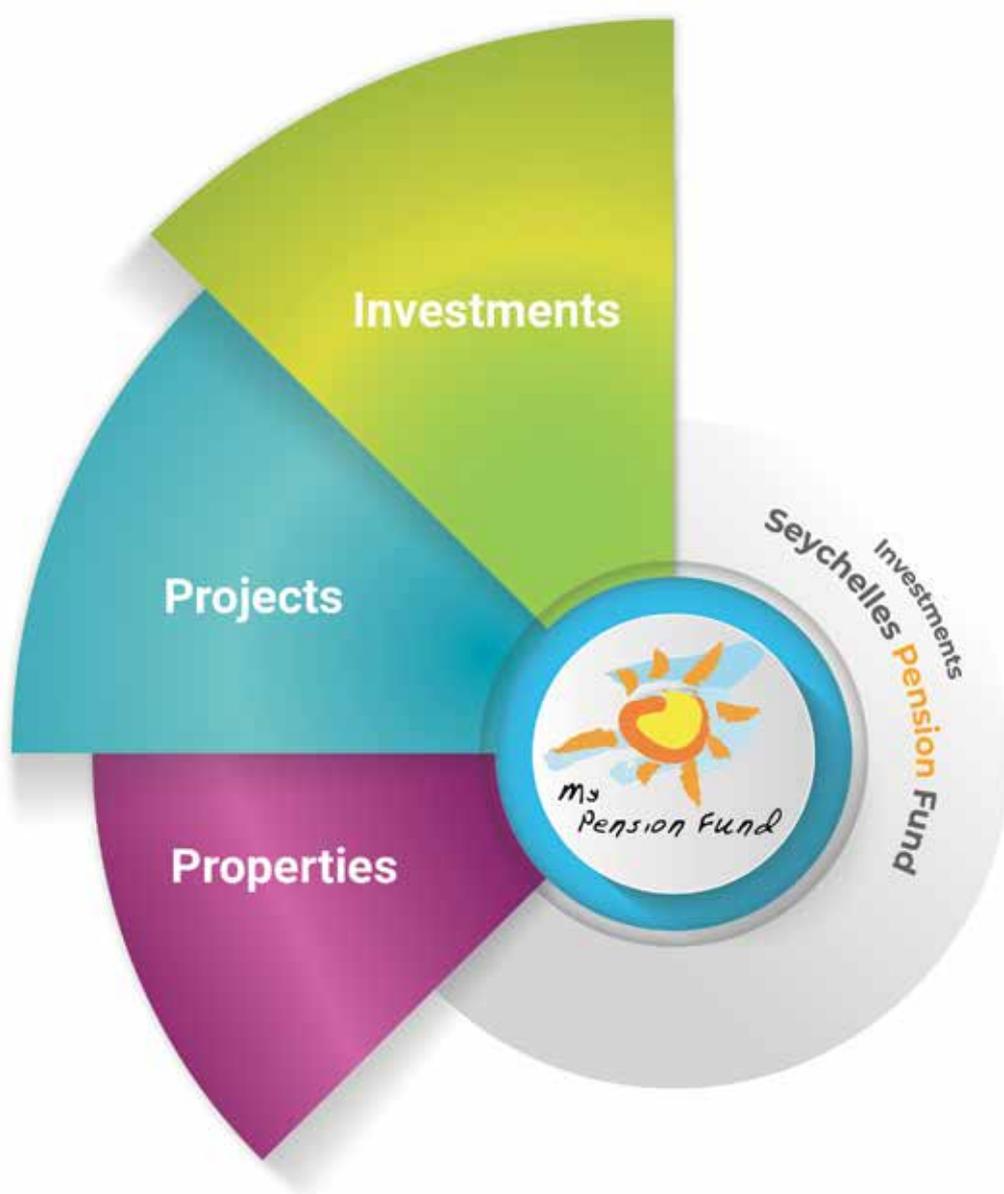
The SPF offices located on Praslin, La Digue and Providence Industrial Estate on Mahe, respectively, were set up to ensure that SPF was able to successfully reach out to all its members including those on both the islands and guarantee that the services on offer were more easily accessible to them. Today we have also online services for all our customers based outside Mahe.

All offices are involved in the collection of contributions, the provision of advisory services and able to receive applications for benefits whilst the payments of pensions and benefits are administered directly from the SPF Head Office.

3.2 | INVESTMENTS DEPARTMENT

SPF Investments department comprises of three sections

Investments
Projects
Properties



3.2.1 | INVESTMENTS SECTION

Overview

Investments at SPF is guided by a well-articulated governance framework, which consists of SPF Act 2005 (amended in 2019), the Investment Strategy, the Investment Policy and other operational guidelines. All investment proposals are appraised by the Board through the Investment Committee of the Board and upon receiving approval, an independent advice is generally required to support decisions made.

The SPF Act was amended in December 2019, requiring the Minister’s approval for investment proposals valued more than SCR 75 million or for the disposal of assets worth more than SCR 15 million. The change extended the investment process, for which the Board’s decision would have otherwise sufficed.

The value of SPF’s investment portfolio stood at SCR 3.4 billion as at 31st December 2019, considering the outstanding payment for Cable and Wireless (Seychelles) Limited the Net Asset Value stood at SCR 3.3 billion).

A record net investment surplus without fair value was recorded for the year of SCR 53 million, the highest ever for SPF, see page 35. However, the investment portfolio remained highly concentrated with domestic assets, especially within the real estate sector.

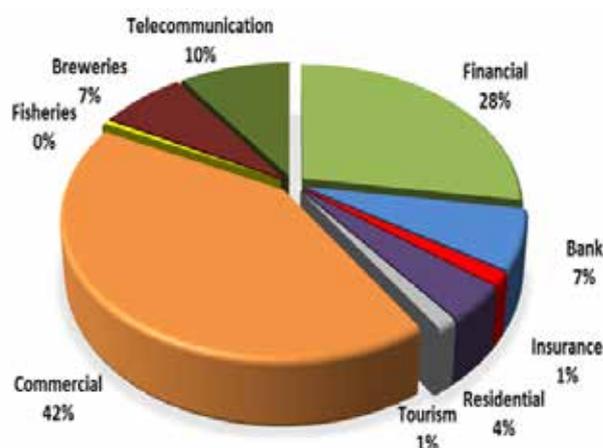
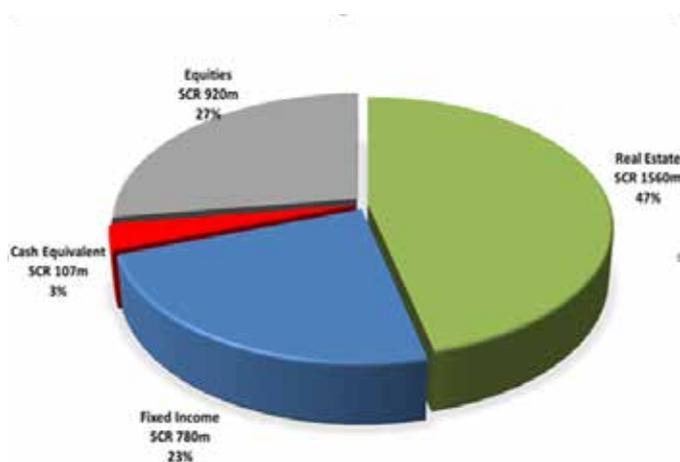
SPF is pursuing several strategies to hedge these risks. Notably, in December 2019 SPF on-boarded a major investment in line with the strategy, by purchasing 22% shareholdings in one of the market leaders within the telecommunications sector, Cable and Wireless (Seychelles) Limited (CWS), for a consideration amount of US\$ 24 million (about SCR 330 million).

a) Asset Allocation

SPF is moving in the right direction to attain its goal of asset class diversification. Although by the close of 2019 it still had high exposure to the Real Estate sector, a year-on-year drop of 3% from that of the preceding year’s level of 50% was recorded.

Total investment scr 1.4 billion

Investment as per Sectors



b) Investment as per Sectors

Further support was provided to the diversification strategy with the new investment within the “Telecommunications” sector, through the CWS shareholdings. The settlement timeframe for the investment cost was extended to 2020 and would be paid against cash holdings in the portfolio, although in 2019, US\$ 9 million out of the investment amount of US\$ 24 million had been settled.

The remaining US\$ 15 million (SCR 204 million) during the first half of 2020. As per following table, the allocation for all asset classes aligned closely to the strategic target of 2022. These also featured within the policy bands. It is expected that the asset allocation will keep trending close to target over the next few years, as the institution’s rebalancing process should maintain the same momentum in 2020.

Asset Class	Allocation Dec-18	Allocation Dec-19	Allocation Medium-Term Target (2022)	Allocation Band (Investment Policy)
Real Estate	50%	47%	45%	30%-60%
Fixed Income	28%	23%	25%	15%-70%
Equities	19%	27%	25%	9%-30%
Cash Equivalent	3%	3%	5%	0%-5%

c) Investment Income

This reflected a year-on-year growth of 13%, and a total return level of 7%. There has been an increase in total investment income by SCR 16 million (9%) relative to that of the preceding year, to stand at SCR 189 million. The level of capital gains (all unrealised) recorded by the end 2019 was SCR 46 million. This brought the value for total investment income to SCR 237 million with fair value, which signified a 15% reduction compared to the 2018 level of SCR 282 million. The main reason for the drop was a year-on-year

reduction in capital gains mainly due to Seybrew share price having dropped by SCR 3 per share at year end. Also, unlisted equities were valued for the first time in 2018, that year recorded exceptionally high levels of capital gains for the corresponding assets, resulting in a spike in overall performance. Nonetheless, the performance recorded for 2019 still met the required target levels across all asset classes except for listed equities, as summarised in the following table.

Asset class	Target	Return
Real Estate	7%	8%
Fixed Income	6%	6%
Equities (Unlisted)	10%	12%
Equities (Listed)	8%	2%
Overall performance	7%	7%

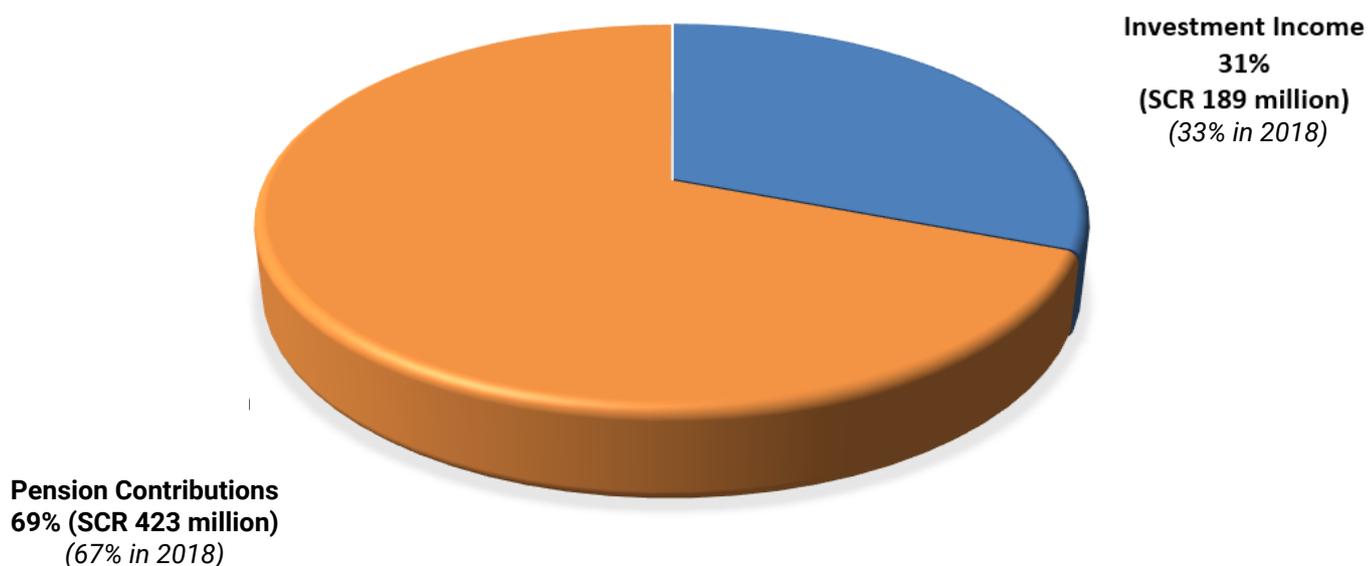
This followed the introduction of a new valuation policy for these assets and included prior years capital gain.

Seychelles Pension Fund

d) Investment Income compared to total revenue

Total revenue recorded for 2019 was SCR 612 million, making up of SCR 189 million (31%) from investment income and SCR 423 million (69%) from contributions. This is compared to a total revenue of SCR 524 million recorded in 2018, split between SCR 173 million (33%) investment income and SCR 351 million (67%) for contributions.

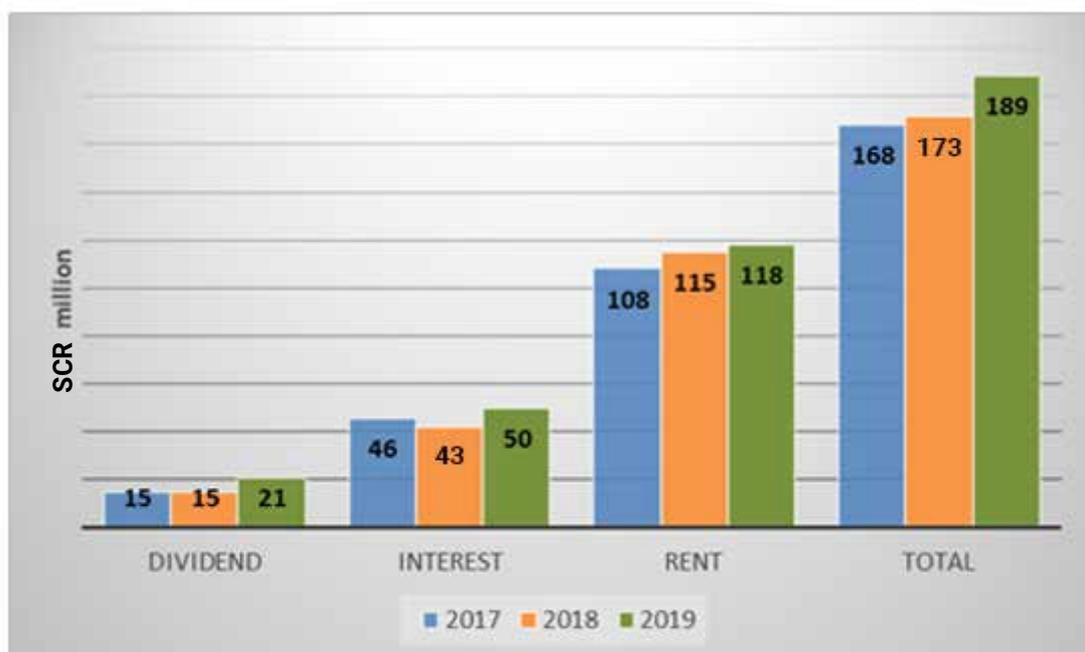
Overall, total revenue in 2019 increased by SCR 88 million or 17%, both from higher investment income and pension contributions in value terms. However, a year-on-year drop was recorded in the shares of investment income compared to contribution income as shown in the chart below, due to higher contributions for the year under review as the



e) Total Investment Income

As per the chart below, there has been a consistent increase in the level of investment income over the past 3 years across all income sources from 2018 to 2019.

In value terms, the highest income source were dividend and interest income, both amounting to SCR 71 million. However, from a growth perspective, the amount of dividend received grew by 41% versus 16% of interest income for the period 2018 to 2019, the reason being a much higher performance in equity holdings.



f) Key Development by Asset Class

Fixed Income SPF's Fixed Income asset class consists generally of domestic Treasury and Government Agency securities, as well as fixed-term deposits with commercial banks. By the end of 2019, the share of Treasury and Government Agency securities made up 15% of the investment portfolio (SCR 496 million), while investments in fixed-term deposits accounted for 8% share (SCR 284 million). Total return generated from the asset class was 6%.

Equities Investments in domestic equities totaled at 19% of the investment portfolio (SCR 669 million). SPF has shareholdings in 6 domestic companies namely: Seychelles Breweries (26%), SACOS (21%), Al Salam Bank Seychelles (30%), Seychelles Commercial Bank (10%), Central Common Cold store (10%) and in Cable and Wireless (Seychelles) Ltd (CWS) (22%).

SPF has investments worth SCR 251 million in overseas equities, which accounted for 7% of the investment portfolio by the close of 2019.

The dividend income streams from both domestic and international equities increased by SCR 7 million (41%) compared to 2018. This is due to an increase in dividend per share received from investments in Seychelles Breweries, SACOS, The Eastern and Southern African Trade & Development Bank (TDB) and African Export-Import Bank (Afreximbank). Total return generated from the Equities portfolio in 2019 was 6%.

Real Estate SPF Investments in real estate represented 47 % (SCR 1,599 million) of the investment portfolio in 2019.

The management of SPF's property portfolio remains central to the institution's operations and future investment plans. The level of income generated from properties continues to increase every year, to stand at SCR 118 million compared to SCR 115 million in 2018. There was a corresponding decline at 19% in property management expenses, from SCR 37 million in 2018 to SCR 30 million in 2019. These contributed to the strong return level of 8% earned on the Real Estate portfolio for the year under review.

g) Excess of investment income over all expenses without fair value for the last 13 years

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
	SCR'M													
Investment income (without property amortisation)	33	38	45	72	56	63	82	109	89	139	151	170	173	189
Investment and Administrative expenses (without FV/DEP)	28	33	42	43	43	48	61	61	67	103	123	137	124	136
Excess of investment income over investment and administrative expenses	5	5	3	29	13	15	21	48	22	36	28	33	49	53

h) Excess of investment income over all expenses with fair value for the last 13 years

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
	SCR'M													
Investment income (as per Financial Statements)	33	42	135	72	84	62	125	111	180	214	347	236	282	237
Investment and Administrative expenses (as per Financial Statements)	28	33	44	49	48	50	65	64	71	110	131	150	133	141
Excess of investment income over expenses (with fv + dep)	5	9	91	23	36	12	60	47	109	104	216	86	149	96

i) Total surplus of income over expenditure without fair value for 2019

(Contribution surplus plus Investment surplus)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
	SCR'M													
Excess of Investment Income over Investment and administrative expenses	5	5	3	29	13	15	21	48	22	36	28	33	49	53
Excess of contribution income over pensions paid	24	22	29	20	17	31	47	63	104	101	65	48	65	85
Excess of total income (contributions and investment) over total expenses (pensions paid, investment and admin costs)	29	27	32	49	30	46	68	111	126	137	93	81	114	138

j) SPF and Environmental Social Governance

Investment practices are evolving globally. As one of the country's largest asset manager, SPF is also determined to modernise the way it invests, to better discharge its fiduciary responsibilities. Traditional investment methods, with investment analysis centered on financial performance, are shifting to account for global concerns on non-financial matters.

Climate change, sustainability and changing demographics are some mega trends influencing investors' behavior and creating these market shifts. Their impact on investments are not unnoticed and have birthed consideration for Environmental, Social and Governance (ESG) criteria in investment decisions.

The concept originated in the 1990s, and was subsequently catalysed by the introduction of the United Nations Principles of Responsible Investment in 2006, which SPF would like to also ratify along with other countries in the near future.

The approaches of "Impact Investments" or "Socially Responsible Investments" have overlapping characteristics to ESG. By and large, these concepts are also shaping investment practices globally, aimed at to increasing social consciousness. Alongside ESG, they are all believed to yield positive externalities to the society.

However, on the side of ESG, a common concern is whether attention to its underlying principles should take precedence on business and financial considerations, taking note of known ambiguities around the quantifiable features. Empirical research generally supports greater awareness on ESG among long-term investors, especially in the area of equity investing.

In particular, "Governance" tops the concerns raised, stressing that management's actions and objectives should be transparent and aligned with their respective compensation. The table below provides a summary of the broad categories of the ESG factors.

Several of SPF's assets carry an ESG footprint. They are mainly within the real estate sector, and have a social connotation. In essence, around 12% of the institution's investment portfolio can be grouped as "Impact Investments", overlapped with ESG features.

One of which is through SPF's commitment to provide affordable rental spaces to Small and Medium Enterprises, a known hindrance to further growth in that particular sector domestically.

Another example, is SPF's contributions to appease the national outcry for affordable housing, sourced mainly from greater participation of foreigners in the domestic real-estate market, which has caused a rise in domestic property price and rent. However, SPF's supply for affordable housing has consistently been limiting prices from skyrocketing further.

These are made possible by the institution's openness to partnerships, particularly with Government, where key projects were designed to serve specific segments of the community, without affecting SPF's ability to meet its own objectives. To note, these are areas that SPF intends to remain an active player in the years to come.

SPF is exploring the ESG topic in great depth, particularly its application to decision-making processes. Even though its investment policy allows for "Social/Impact Investments", the need to look at ESG in its entirety is credible.

Therefore, taking note of it being all encompassing and considers a broad range of other matters. The Sustainable Development Goals (SDG) is a fundamental guide, especially prior to investment opportunities being on-boarded. Government is also taking steps to include SDG prescriptions in their long-term plans, as evidenced by their current engagements and nation-wide conversations.

An example is the strive to harness renewable energy amid rising global awareness on changing climatic conditions. SPF has been positioning itself to exploit potential undertakings in these areas, as they emerge.

Considerations for ESG is among the investment themes that SPF intends to incorporate in its forthcoming investment policy review.

As a key domestic investor, it is rightly suited to lead domestic awareness on the subject through its practices.

SPF participated actively in international forums in 2019 to keep ourselves abreast with this hot topic.



Environment	Social	Governance
Conservation of the natural world	Consideration of people & relationships	Standards for running a company

Climate change and carbon emissions	Customer satisfaction	Board Composition
Air and water Pollution	Data protection and privacy	Audit committee structure
Biodiversity	Gender and diversity	Bribery and corruption
Deforestation	Employee engagement	Executive compensation
Energy efficiency	Community relations	Lobbying
Waste Management	Human rights	Political contributions
Water scarcity	Labour standards	Whistle blower schemes

Source: CFA Institute

3.2.2 | PROJECTS SECTION

This section implements projects of SPF once investment decisions have been made.

Completed Project in 2019

a) Ile Perseverance Residential Apartments Project

Due to the existing high demand for affordable housing in the country, SPF decided to launch itself into this market. The project consisted of 24 two-bedroom apartments and 18 one-bedroom apartments on a 3127 square meter plot of land on Ile Perseverance.

The project was initially for rentals but SPF decided to sell off the property upon completion to Government as they expressed an interest.

Consultants and Contractors involved on the Project

- Architect: JS Design
- Structural Engineer: WNC Consulting
- Quantity Surveyor: LQ Consultant
- Mechanical Electrical and Plumbing Consultant: IBEC (Sey)
- Electrical & Fire Alarm System Contractor: Vijay Construction (Pty) Ltd
- Public Health & Fire Fighting Services Contractor: Vijay Construction (Pty) Ltd
- Piling Contractor: Vijay Construction (Pty) Ltd
- Main Building Contractor: Vijay Construction (Pty) Ltd



b) Le Chantier Mall - New offices on the 4th floor.

This project was considered firstly to address water leakage and extensive terraced roof damage which was affecting the tenants. On analysis, SPF decided to build a 336 square meter new commercial space on the 4th floor with all the necessary facilities, as this brought in extra rentals and resolved the water leakage problem.

Consultants and Contractors appointed after tender for the Project

- Architect: In House
- Structural Engineer: Esparon Civil and Structural Eng. Consultant
- Main Building Contractor: Allied Builders
- Mechanical Electrical and Plumbing Consultant: In House
- Electrical & Fire Alarm System Contractor: MEJ Electrical
- Internal Partitioning works: Allied Builders
- HVAC Contractor: Allied Builders



c) Conversion of Warehouse to Gym at Huteau Lane

SPF decided to renovate an old existing disused PUC power station located at Huteau lane and converted it into a modern gym. The new tenant will commence operations in 2020 upon receipt of equipment.



Ongoing Projects

a) Commercial building on Independence Avenue- Pirates Arms Project

A multi-storey commercial building with a modern look including a feel of creole architecture is being proposed for the Pirates Arms Property. Facilities that will be incorporated in this development are semi basement parking for 42 vehicles, 6 shops, 3 floors of offices, 1 floor of entertainment facilities, 1 food court and 2 restaurants. The total area of the entire building will be 13,631 square meters.

The project was kept on hold from early 2018 after the piling works caused structural damages to the Central Bank annex building.

In 2019, a settlement was reached with CBS, with SPF agreeing to cover the cost of damages and rebuilding the annex for a compensation amount of SCR 10.3 million.

Piling work

SPF re-tendered the piling works in November 2019 and the piling work is expected to commence in the first half of 2020. Tender for the main building contractor will also be made in 2020.

Consultants and Contractors involved on the Project

- **Project Manager: Atvantage Group**
- **Architect: Ekoarkitek**
- **Structural Engineer: F&D Structural Consultants**
- **Quantity Surveyor: Hooloomann Project Services Ltd**
- **Mechanical/Electrical/Plumbing Consultant: IBEC(Sey)**
- **Piling Contractor: to be re-appointed**
- **Main Building Contractor: Not yet appointed**



b) Ile du Port Micro Enterprise Project

The project was initiated in order to cater for the high demand for warehouses and archives in the local market. The construction contract was awarded in January 2019 to WellPoint Development Pty Ltd.

Construction

The contractor has achieved 100% completion of the foundation for Blocks A and B.

The Sub-structure for the elevator shaft for Blocks A and B has also been carried out and completed. With installation of steel structure scheduled for end of January 2020.

Consultants and Contractors involved on the Project

- **Architect: R & R Architect**
- **Structural Engineer: F&D Structural Consultants**
- **Quantity Surveyor: LQ Consulting**
- **Mechanical Electrical and Plumbing Consultant: PROBURO**
- **Electrical & Fire Alarm System Contractor: Vijay Construction**
- **Public Health & Fire Alarm System Contractor: Rey & Lenferna (Sey)**
- **HVAC Contractor: Machinery and Equipment**
- **Piling Contractor: United Concrete Products (Seychelles)**
- **Main Building Contractor: WellPoint Development Pty Ltd**



Seychelles Pension Fund

c) Pointe Aux Sel Housing Project

This project was conceived as part of SPF's "Impact investment" for 2018/2019, with the intention of providing affordable housing to the local market. The idea was to construct and sell the houses as there is a demand within the residential real-estate sector.

Current Progress

Topography survey and the master plan has been completed.

Consultants and Contractors appointed after tender for the Project

- Land Surveyor: Michel Leong
- Clearing Contractor: ONYX
- Architect: JS Design
- Engineer: Esparon Civil and Structural Eng. Consultant



3.2.3 | PROPERTIES SECTION

Introduction

The property section manages SPF's rental properties and its principal responsibility is the timely collection of rental income and the diligent management of maintenance expenses.

List of all SPF properties

- | | |
|--|--|
| <ol style="list-style-type: none"> 1. Huteau Lane Complex 2. Caravelle House 3. La Clementine 4. Port Glaud Craft Village 5. Providence Micro Enterprise 6. Providence Warehouse 7. Pension Complex Praslin 8. Praslin Holiday Home 9. Eve Island Enterprise 10. Eve Island Cold Storage 11. Eve Island Dry Goods store 12. La Passe Pension House | <ol style="list-style-type: none"> 13. Unity House 14. Maison Collet 15. Corail D'Or Apartments 16. Continental Complex 17. Ocean Gate House 18. Le Chantier Mall 19. Orion Mall (second floor) 20. Anse Boileau Maison Simone 21. Pointe au Sel (being developed) 22. Ile Perseverance (being developed) 23. Ex-Pirates Arms (being developed) 24. Ile du Port (being developed) 25. Anse a La Mouche (to be developed) 26. Parcel LD1556 (La Digue) (to be developed) 27. Parcel V18604 (to be developed) |
|--|--|

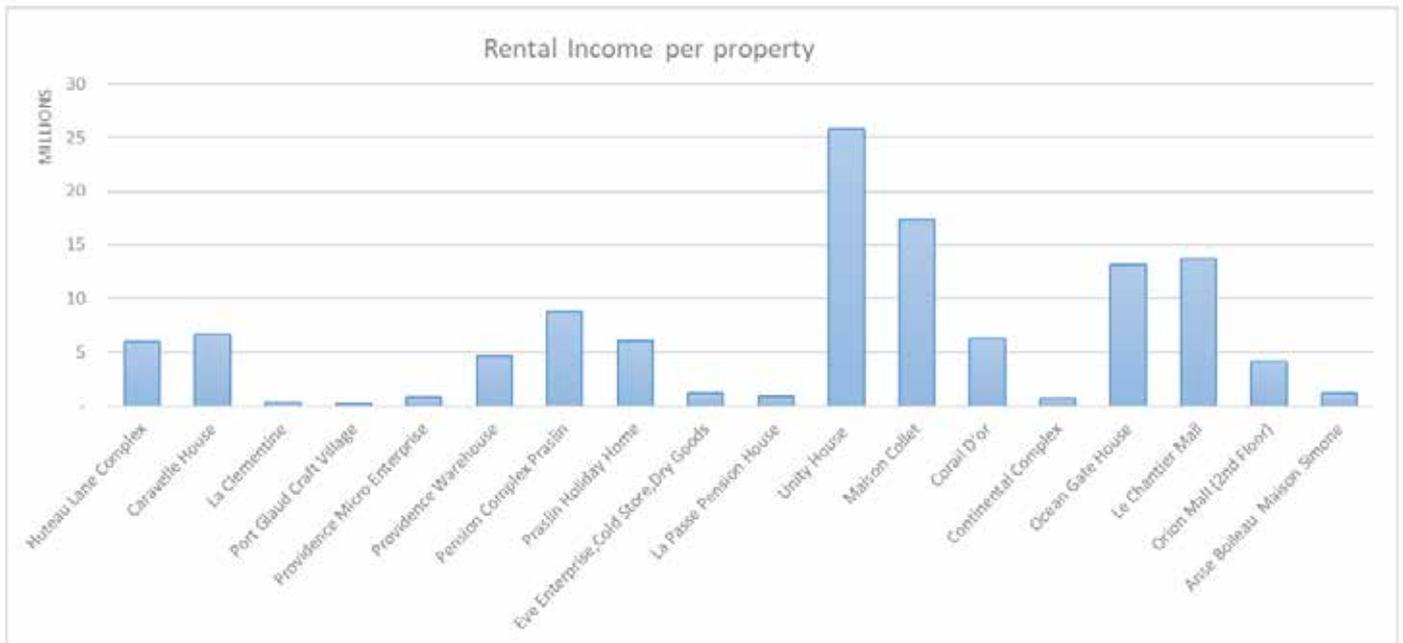
a) Occupancy Rate

As part of our mandate, it is imperative for the Property Management Section to attain and maintain a very high occupancy rate for all of our properties. For 2019 the overall occupancy rate was 98%

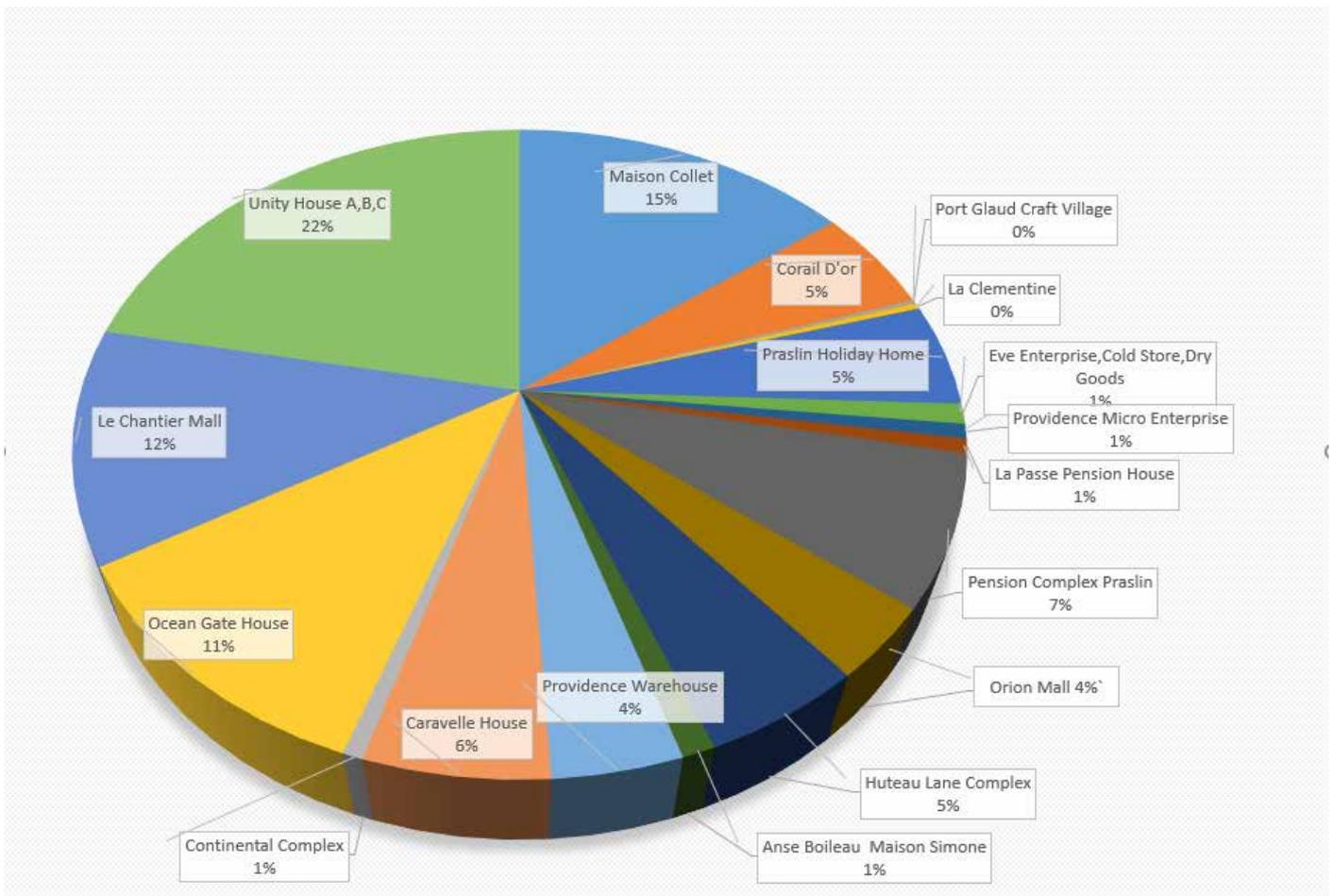
No	Building Name	Location	No. of Rentable Units	Occupancy Rate %
1	Huteau Lane Complex	Victoria	42	100
2	Caravelle House	Victoria	3	100
3	La Clementine	Baie Ste Anne Praslin	6	100
4*	Port Glaud Craft Village	Port Glaud	1	100
5**	Providence Micro Enterprise	Providence Industrial Estate	1	100
6	Providence Warehouse	Providence Industrial Estate (Zone 18)	30	100
7	Pension Complex Praslin	Grand Anse Praslin	54	100
8***	Praslin Holiday Home	Grand Anse Praslin	20	**
9	Eve Island Enterprise	Eve Island Praslin	5	90
10	Eve Island cold storage (occupied by APEX)	Eve Island Praslin	1	100
11	Eve Island dry goods store (occupied by APEX)	Eve Island Praslin	1	100
12	La Passe Pension House (excluding SPF Office)	La Digue	14	100
13	Unity House	Victoria	145	99
14	Maison Collet (office & corporate parking)	Victoria	106	100
15	Corail d'Or Apartments	North East Point	28	96
16	Continental Complex	Victoria	25	100
17	Oceangate House	Victoria	11	100
18	Le Chantier Mall	Victoria	28	100
19	Orion Mall (2 nd Floor)	Victoria	17	100
20**	Anse Boileau Maison Simone	Anse Boileau	12	100

* leased to ESA **leased to IEA **leased to a private operator

b) Rent collection



The graph above shows the rental income per property collected in 2019.



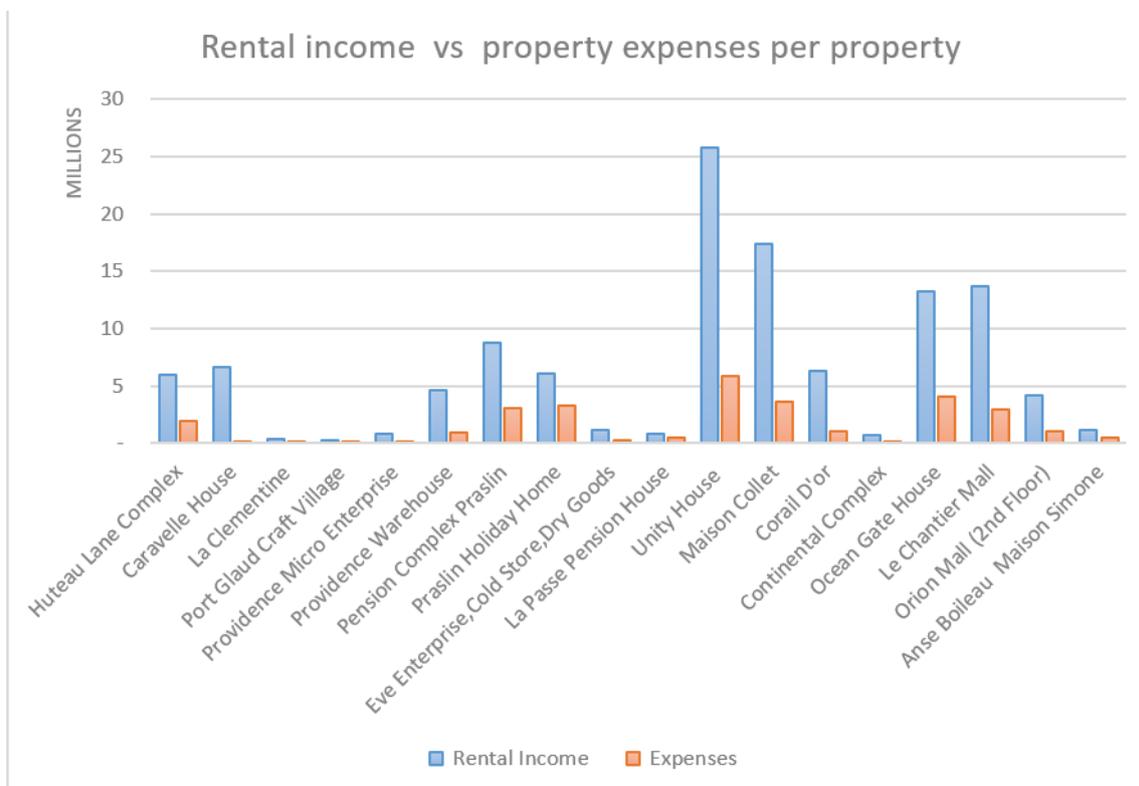
c) The pie chart above shows the distribution of how much each property contributes to the total rental income of the SPF.

d) Service Delivery and Property/ Facilities Management

There was an increased drive towards providing a more efficient maintenance service to our tenants in 2019. The maintenance unit was given more resources to ensure our premises are kept at a high standard.

Property expenses vs rent income

Comparison rent income vs expenses from 31st December 2019 per property



The graph above shows the correlation between Property Management rent income and expenses. This is an important tool used when reviewing rent charges.



e) Maintenance expenses for 2019 was 26% of rental income. A total rent amount of SCR 118 million was collected in 2019. The net surplus is SCR87 million.

3.3 CORPORATE SERVICES DEPARTMENT

SPF Corporate Services comprises of five main sections

- Finance
- Information Technology
- Marketing and Public Relations
- Human Resources and Administration
- Risk Management

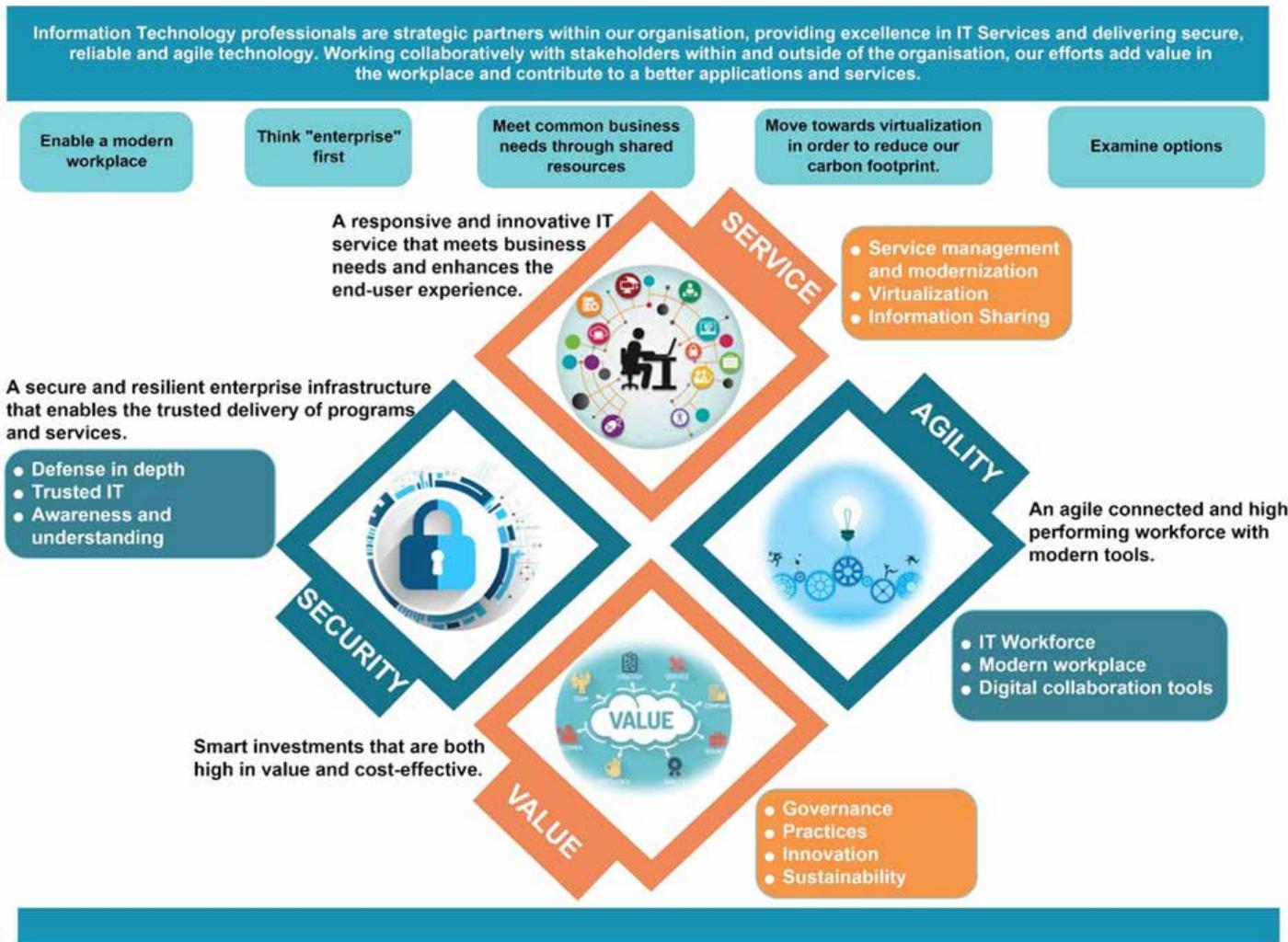


3.3.1 | INFORMATION TECHNOLOGY SECTION

The Information Technology Section is committed to delivering a strategic advantage by fostering creative and innovative use of technology to achieve SPF objectives.

The section provides a secure, highly reliable technology infrastructure along with high quality, customer-oriented services and support, to meet the ever-changing needs of users.

a) Seychelles Pension Fund IT Strategic Plan

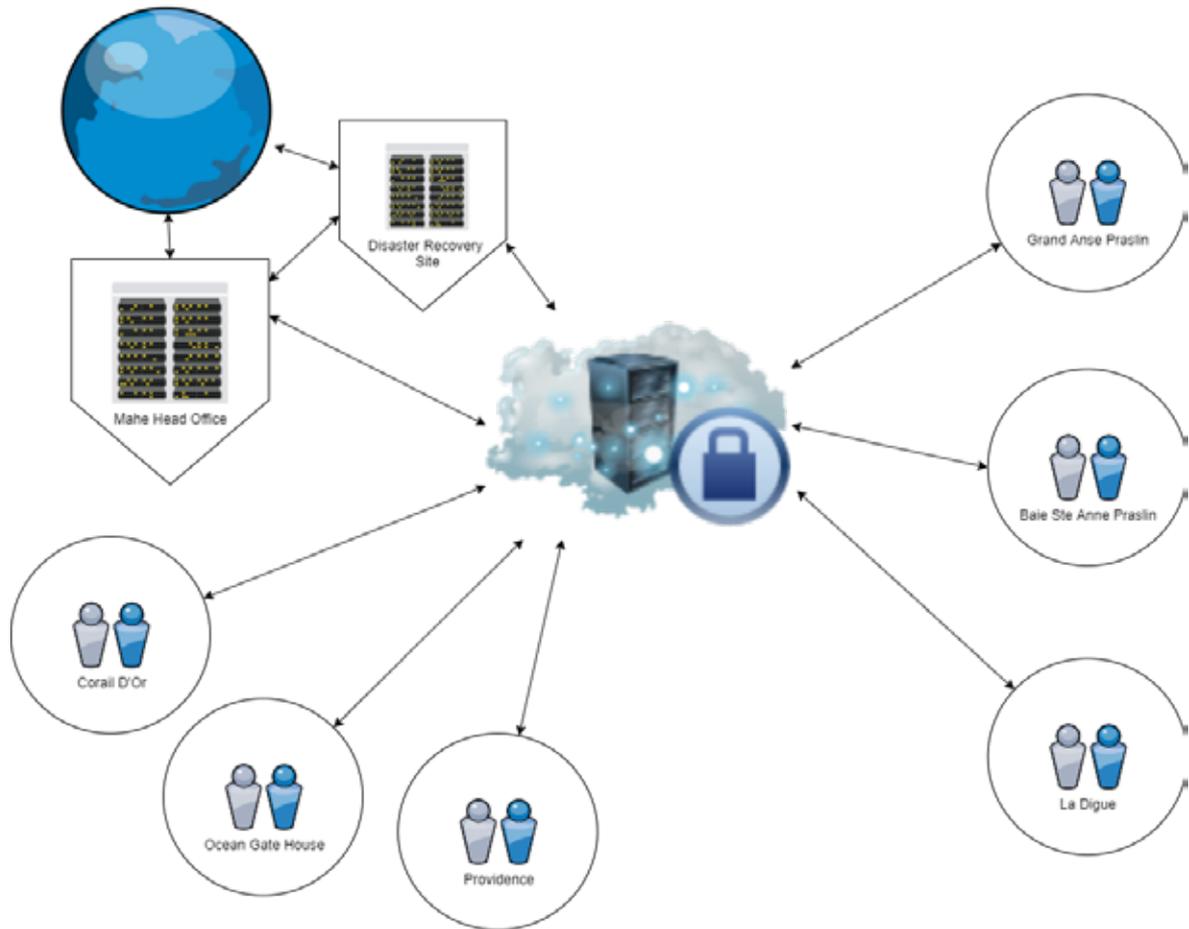


Governance – continue to implement operational parameters for users of SPF systems and network.

Infrastructure – continue to maintain the hardware components, the network, the circuitry, and all other equipment necessary to make the SPF network function according to the established needs.

Functionality – this is the most apparent task. IT ensures and continues to create and maintain operational applications; developing, securing, and storing all SPF data; assisting in the use of software and data management to all functional areas of SPF and ensuring the confidentiality and security data management to all functional areas of SPF, and ensuring the confidentiality and security of all data and IT systems in place.

b) IT Services



c) IT Support Network



d) Activities

OPENING OF NEW PROVIDENCE BRANCH – Kick started the year with networking and setting up of all necessary hardware at Providence Branch.

WEB AND SMS APP – Implemented SMS and Online Application for members to view their statement.

LAPTOP POLICY – The Laptop policy was approved by Management and implemented in February 2019.

PRINTING OF MEMBERS STATEMENTS – 5,324 Employer 36,960 Employee statements were printed over the period over period starting 22/05/2019 – 07/06/2019, and distributed to 44,284 members.

IT AUDIT - Run Vulnerability Assessment, Phishing Attack and testing cyber security.

INTERNAL AUDIT SOFTWARE – Procured On spring's internal audit management solution which automated audit plans with organization's most significant risks and objectives, generate audit reports in multiple formats - all at a moment's notice.

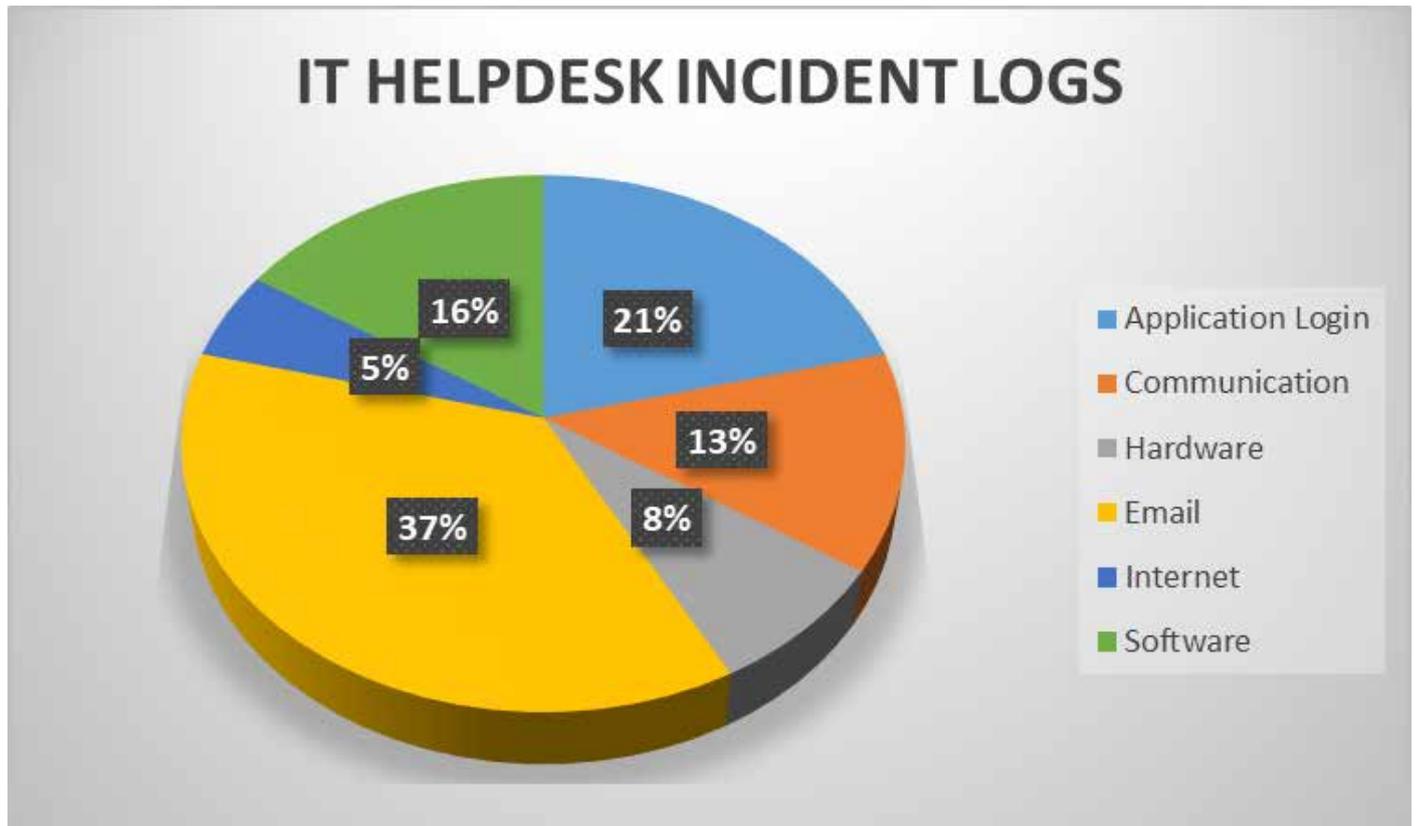
INTERNET SERVICE PROVIDER – Cable and Wireless is SPF's new ISP, offering attractive mobile packages for employees.

RECORDS MANAGEMENT POLICY – Drafted Records Management Policy that was approved and completed with the digitalisation of all archived records, dating back to 2006.

Disaster Recovery SITE – Initial setup of the Disaster Recovery site has been identified and implemented and arrangement of for business continuity has been finalised.

e) Records Management





g) Software Development

Benefit Module

- Voluntary Contributions refund
- Capping of Pension feature for overriding calculated pension amount when it exceeds a predefined threshold
- Identification of Pensioners actively making contributions
- Archive of all contributions and records.

Operations Module

Feature for enabling nullification of duplicate member salaries entered via allocation of contributions.

Rent Management System

Rent management has been redesigned. This project has been broken down into two components. They are namely the Property and Finance components. The software is not yet fully completed as the ageing debtors list is being finalised.

KYC/AML Checker Application

IT worked with Compliance Manager to build an application to check within Pension Management System and Rent Management System if there are companies or individuals that appear on published anti money laundering list.

Records Tracking System

IT worked on a record tracking system which will be used to track and monitor the locations of stored physical files in archive and also when taken by SPF Employees out of archives.

Information Security

h) MAJOR ACCOMPLISHMENTS

- Security Awareness week
- IT Security Awareness Training by BDO
- Enhanced Vulnerability Scans
- Enhanced Network Monitoring

i) IT Infrastructure

MAJOR ACCOMPLISHMENTS

- Firewall Upgrades
- Network Upgrades
- Distributed Network Services
- Wifi enhancement

3.3.2 | MARKETING AND PUBLIC RELATIONS SECTION

a) Key Marketing and PR objectives for 2019

The section started off the year with the following targets, based on its approved KPIs.

- To collect SCR 20 million from Voluntary Contributions from both employees and employers or increase number of contributors from 7000 to 8000 members. SCR 28 million was collected from 8325 contributors
- To achieve a combined 50 events / activities / workplace meetings / outreach programs and workplace clinics. SPF was engaged in over 61 activities in 2019.
- To develop a combined 50 different contents for media publicity and promotions both online and offline. Achieved 50.
- To generate 35 % increase in total website traffic (from 1007 to 1350 users) and 25% increase in Facebook profile users from 4000 to 5000. This has been surpassed at various times during the year.

b) Major marketing achievements and activities in 2019

The section started off the year with the following targets, based on its approved KPIs.

- Visibility of SPF's brand in all of SPF's offices; graphic design artwork in Victoria, Praslin and Providence offices were successfully completed.
- Opening of the SPF Providence office on 14th January 2019 enabled greater visibility and access to SPF members, especially based at Providence.
- Awareness campaign on amendments to SPF Act and Regulations with K-Radio, live streamed on SPF Facebook page, received a total of 1120 views in 18 days.
- TV promotion: Through a six months contract with SBC, a total of 5 adverts were produced to support the 2019 brand alignment, aimed at enhancing self-employed involvement in the preparation of their retirement.
- Members' statement of account template was redesigned to take into consideration changes in SPF's regulations.

Emphasis has been placed on informing the members on their status as being either "qualified" (vested) or "non - qualified" (non-vested) for a pension as of now. Concurrently members will be able to familiarize themselves with the two interest rates being prescribed for Mandatory and Voluntary contributions.

- Voluntary Contribution promotions – To earmark Valentine's Day the Section undertook a print media and online voluntary contribution campaign to position Voluntary Contributions as a gift option. Another promotional campaign was undertaken to mark the International Women's day on the 8th March 2019. A TV advert was produced and aired for one week, reposted on Facebook page (105 likes in 1 week) and website.

- The UN Global Money week 2019 – SPF has now been recognized as a major player nationally in terms of financial education. To that end for a second year running SPF collaborated with UN Youth Seychelles on a Financial Education Tour which took place Friday 29th March 2019 from 1pm – 2.30pm. The event targeted of 25 students from secondary schools on Mahe whereby they were privy to short presentations by respective Sections on their roll to ensure financial stability of our retired members.

- Workplace information sessions: A total of 50 sessions including workplace meetings, clinics, and roadshows were held for 2019.

- An outreach roadshow targeting ad-hoc members for information dissemination, sales of voluntary contribution and new registrations was undertaken at the Post Office on Thursday 28th March 2019 in conjunction with Customer Relations and Contribution Sections. A total of 58 new members willing to undertake voluntary contribution plus 2 members increasing their contributions were recorded.

- The section also organised a "Sales Blitz" session at the Multi storey car park on Friday 10th May to earmark International Mother's Day. We identified the occasion as an opportunity to showcase voluntary contributions as a gift to mothers as an ideal marketing tool to further enhance membership to the voluntary contribution scheme. A total of 32 new members undertook voluntary contribution generating SCR 5000 as gifts to their mothers and SCR 10,000 as contributions towards their own accounts.

Seychelles Pension Fund

• SPF partnered with the Praslin Boat Owners Association to host the “Praslin Red Snapper challenge” on 6th and 7th April 2019 respectively, from which part of the proceeds from the sales was presented to Mr. Ahmed Volcere (fisherman), as mandatory contributions to ensure he qualifies for a pension. SPF witnessed the cheque presentation ceremony on 11th May at the Pension Complex conference room which was attended by around 15 fishermen. CEO provided explanation on contributions and benefits to the fishermen whilst SPF generated useful PR on the matter of contribution back pay for self-employed workers on national television, national press and online portals.

c) Website An improved website with modern financial service requirements was launched during the year. The new interactive website incorporates the option for members and prospective members to ‘APPLY ONLINE’ and/or TRANSACT’ making contribution payments online and see their digital statements. It was soft launched at the SPF AGM.

d) Launching of Pension e-service Human Resources Managers and Payroll Managers from 50 largest private organisations joined SPF in the launching of our online payment and e-services platform

at STC conference room on 16th December under the theme ‘breakfast with SPF’. This kick started the marketing campaign targeting online contribution and real time access to members’ statement of account which will span throughout 2020. Over 250 members registered on the pension-e-services alone.

e) The AGM was held on Wednesday 3rd July from 9.30 until 12.30 pm. The activity drew almost 200 participants. The event was aired in the media with extensive coverage.

f) SPF also attended the Business Information Fair on La Digue which was scheduled for Saturday 22nd June organised by the Central Bank.

g) #protecting you campaign For the month of August a group of 20 fishermen were targeted from the Glacis district in a meeting with representatives of SPF which included the CEO, Chief Pension Officer, Contribution officer and Marketing Manager. A similar session was also held at La Retraite where fisherman were briefed on the need to make contributions with SPF, for a pension when they retire. The meeting was published as an advert and received media coverage from the newspaper and online.





3.3.3 | HUMAN RESOURCES AND ADMINISTRATION SECTION

a) The culture at SPF is very open and collaborative, with a high retention rate, where SPF keeps its human resources development in focus with the wellbeing of its employees at all times.

The aim of SPF is to be an “Employer of Choice”; i.e. creating a great working environment where the best people want to work for the organisation. In its pursuit to become the “Employer of Choice”, SPF has strived to instil the following:

- Stimulating work environment - SPF has interesting and challenging jobs at various levels and in various sections;
- Reward system - Effective reward strategies are in place;
- Training & Development - SPF shows commitment to growth & development of each staff member;
- Credibility - Very good reputed organisation, where staff are respected and treated fairly with zero tolerance to malpractices and corruption;
- Opportunities to progress - Succession planning is already in place along with a recruitment policy;
- Access to information - Information are disseminated to all levels within the organisation;
- Work culture - Good work ethics and work standards are fostered;
- Innovation - staff are always encouraged to work smarter and effectively with the best international practices to be followed;
- Continuous development - SPF is proud to be among the first organisations to implement bold changes such as flexi-time in 2016, and is striving for modernisation of the organisation.
- Embracing inclusiveness and diversity through gender balance, race, colour, ethnicity and sexual orientation.

The way forward is for SPF to continue to innovate and remain competitive.

b) Succession plan SPF has three divisions and fourteen sections, whereby a majority of its key staff are experienced and/ or qualified professionals their respective fields. There is also a clear succession planning with an annual training plan that provides opportunity for growth and development for all staff members.

As SPF continues to diversify in its line of business, the need to build on its work pool with competent and capable staff is imperative to ensure its long-term sustainability. Positions filled for 2019 has been a result of both creation of new posts required for the evolving pension landscape as well as filling in

c) Staff turnover

SPF has been able to maintain a very low turnover for the year with 128 staff count as at 31st December 2019, compared to 130 in 2018. Percentage turnover recorded for 2019 is at 5.47%.



d) Recruitment

Recruitment has been mainly in the Risk, IT, Marketing & Public Relations, Internal Audit, Praslin & La Digue and Investment sections. A total of 6 vacancies have been filled for 2019 as compared to 11 in 2018.

e) Training

Training is considered to be vital, in particular for staff development and professional growth. To achieve this, the training plan is reviewed on a yearly basis and a long-term training plan for a period of five years is also reviewed annually.

For the year 2019, we are proud to have had all 100% of SPF employees having benefited from either internal or external training which included overseas and local, workshops, representations, in-house courses and short and long-term diploma courses. Last year, 96% of staff availed of training.

In August, SPF went the extra mile by providing an intensive one-week Customer Service training organised by ISSA and ILO, for its core function staff i.e. Pension Division. The training was based on ISSA Guidelines on Service Quality delivery.

f) Team Building and annual staff meeting

As is customary, SPF organised its annual team building activity alongside its annual general staff meeting. The activity was a success with the participation of 77% of our workforce.

g) Performance management

With an introduction of all staff identifying 4 KPI's in 2019, SPF was able to assess better, each staff member's performance. The HR system and this performance-based approach was commended by the World Bank and SPF presented its staff development strategy at the Chief Executives Forum for public sector, based on their recommendations.

h) Administrative costs

As our pension and investment activities grow, inevitably the administrative cost also complements the growth. The table below presents a snapshot of the administrative cost increases, over the last 5 years. On analysis of the administrative costs, 73% make up staff costs, 10 % office running costs including training, 9% for stationary and telephone costs, and the remaining 8% for other expenses such as rentals and fees.

Year	2015	2016	2017	2018	2019
1. Cost per active member (SCR)	747	942	959	1,010	1,098
2. Cost as a % of investment income	22%	26%	24%	25%	25%
3. Cost as a % of total net assets	1.34%	1.44%	1.40%	1.44%	1.45%
4. Cost as a % of total income	9.0%	10.0%	9.0%	8.0%	8.0%
Administrative costs (SCR' m)	31	39	41	44	48
% Increase in administrative cost			5%	7%	9%

3.3.4 | RISK MANAGEMENT SECTION

a) Introduction

All modern pension systems as well as a majority of financial institutions are equipped with a risk management unit.

Here at SPF, in the course of delivering on our mandate, we are exposed to a variety of risks. Managing risk is a core part of our day-to-day activities and we go to great length to protect the public funds entrusted to us.

The risk management section is responsible for instilling a risk-based management framework in SPF and ensures compliance with all laws and supervisory authorities, monitors the latest developments and reforms in pension plans, ensures SPF meets its obligations related to pension development and reporting requirements as outlined in the SPF Act 2005, and is responsible for liaising with actuary for actuarial valuation.

b) Enterprise Risk Management

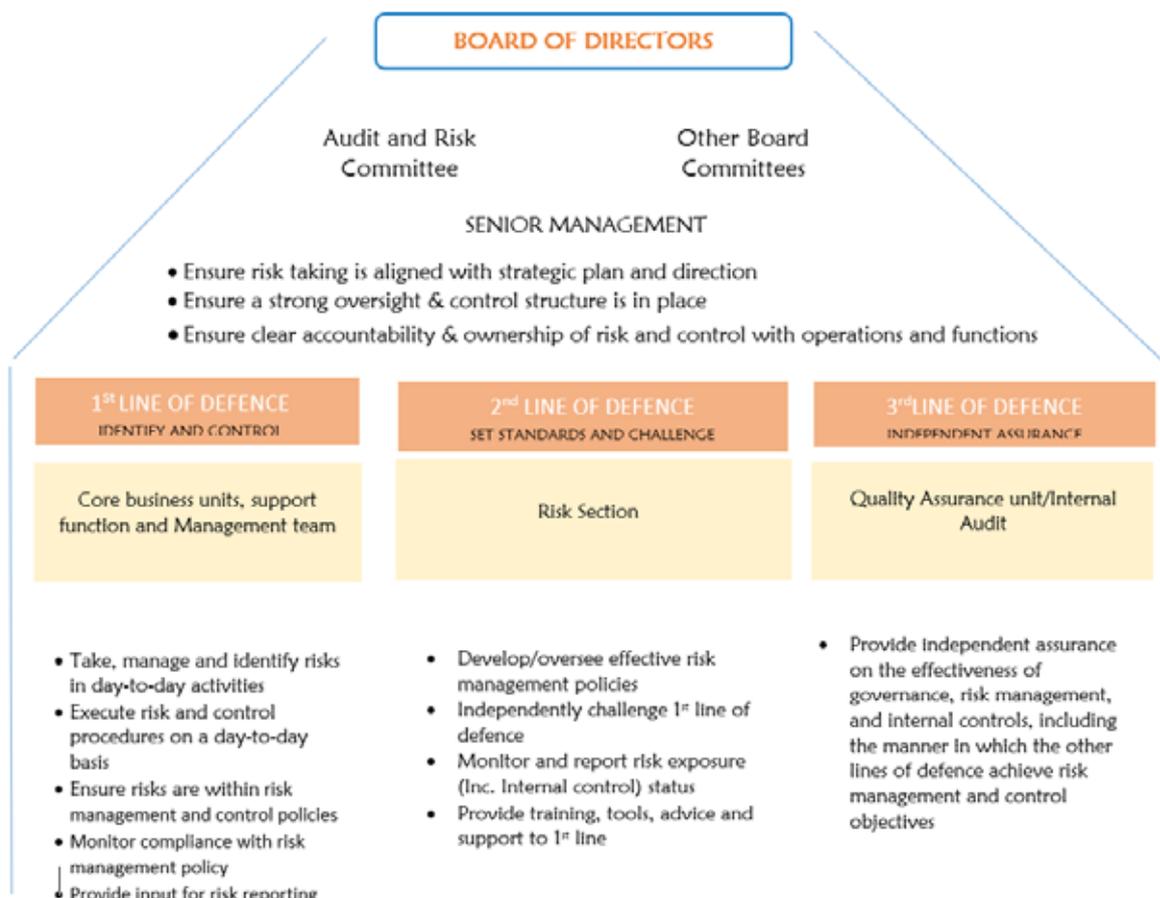
We follow a risk framework to guide our activities and support a risk-aware culture characterized by robust evaluation and management of risks across the organization. The framework is structured around the following key dimensions that, together, contribute to our strong risk management practices and culture:

c) Risk Governance

This dimension comprises our risk governance structure, risk management policy and a 'three lines of defence' risk governance model that define roles and responsibilities across the organisation.

It includes:

- The Board of Trustees which is responsible for managing SPF affairs and the conduct of its operations, including ensuring that major risks are identified and managed;
- The Audit and Risk Committee of the Board which is responsible for assisting the Board in fulfilling its risk oversight responsibilities including legislative and regulatory compliance;
- All members of Management who play an integral role in identifying, monitoring and reporting risks within their areas of responsibility and overseeing activities performed across the 'three lines of defense'; and
- All employees who form the foundation of the 'Three Lines of Defense' as outlined the image below.



d) Risk management

Over the past year, we have remained committed to reducing risks identified and continued to develop the risk mitigation framework.

Risks are inherent in many of our activities, thus, governance arrangements in place, use of industry best practice and external advisors, ensure that the management of risks is undertaken to the highest levels and that potential adverse effect of risks are minimized.

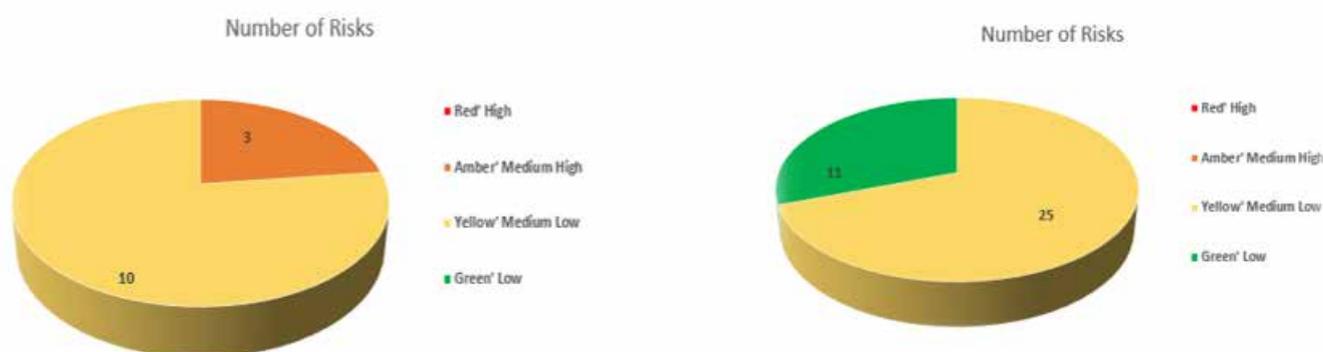
The principal documents relating to risk management and controls are:

- Risk register
- Board charter,
- Audit Committee Charter
- Risk Management Policy,
- Investment Policy

f) Risk Register and Risk Status

After a Risk Assessment performed by PWC in 2018, at the recommendation of the Board, a new SPF Risk Register was formulated comprising a total of 49 open risks of which 13 were strategic risks and 36 were operational risks

Overall risk exposure of strategic and Operational risks as at January 2019



As illustrated above, at January 2019, the Risk Register recorded only 3 medium high risks which were all strategic. The medium high risks were in the areas of property valuation, governance and IT.

Risk mitigation strategies were initiated throughout 2019 by risk owners, which resulted in all medium high risks and a majority of medium low risks being mitigated.

An annual risk assessment and review of the risk register was then conducted at the end of 2019; and at the end of every quarter of the year.

As at 31st December 2019, the Risk Register held a total of 51 risks, categorised open active risks. The active risks comprised of 15 strategic risks and 36 operational risks and 3 new risks in the areas of cyber, AML and climate change.

e) Business Continuity Plan

We also include Business Continuity planning and IT disaster recovery in our coordinated approach to risk management.

Risks are categorised under Strategic Risks and Operational Risks. Strategic risks from external pension landscape and Operational Risks originating from day-to-day events, processes and procedures.

As part of our risk management approach and in line with international best practices, a detailed Risk Register is maintained by SPF.

This ensures that we have a coordinated enterprise-wide approach to identifying, assessing, managing and monitoring risk at a strategic and operational level; that risks are properly understood, and appropriate action are taken to mitigate them.

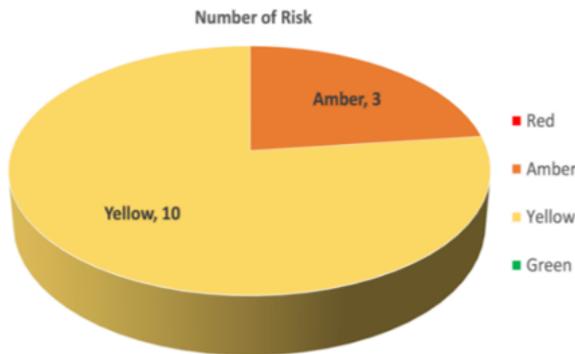
Risks identified within the Risk Register are assigned to 'risk owners' and mitigated through planned action

g) Strategic and Operational risk analysis 2019

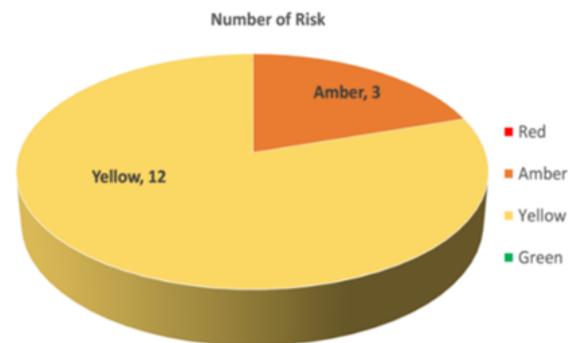
i) Strategic risks

As at 31st December 2019, the total number of strategic risks was 15, this being two risks higher than when the register was produced. The diagrams below show SPF overall strategic risk exposure for 2018 and 2019.

Risk Exposure 2018



Risk Exposure 2019 after mitigation



As observed, the risk profile for strategic risks, has remained more or less unchanged, due to certain strategic risks such as domestic equities being beyond SPF control.

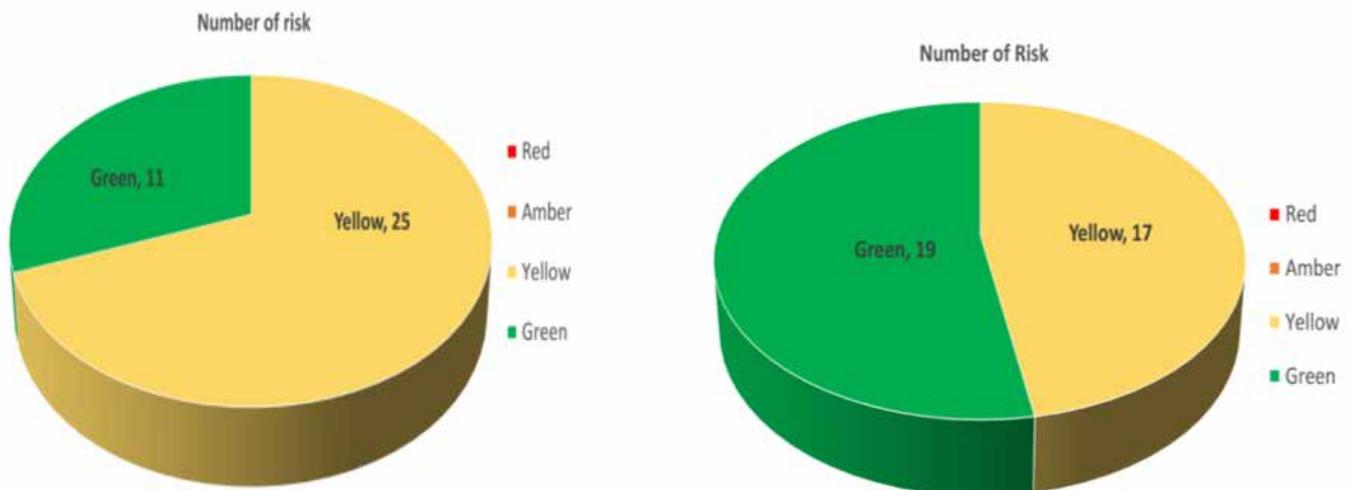
However, we observed a general decrease by 61% in the overall strategic risk scores from 2018 to 2019.

Strategic 2018-2019 RR Score Comparison



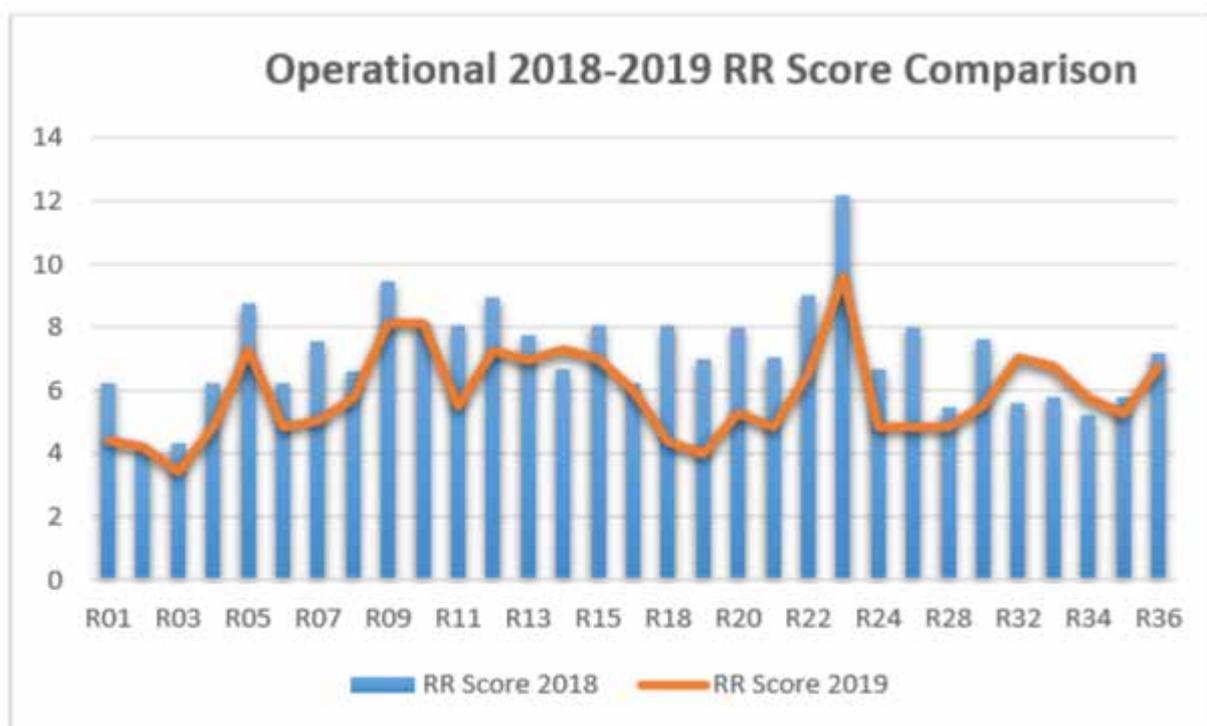
ii) Operational risks

As at 31st December 2019, the total number of strategic risks was 15, this being two risks higher than when the register was produced. The diagrams below show SPF overall strategic risk exposure for 2018 and 2019.



As opposed to Strategic risks the operational risks are more manageable as it is directly linked to SPF's daily operations.

As result of improved and additional mitigation control in place, there has been a significant decrease of 71% in the overall risk scores from 2018 in 2019.



h) International cooperation

The section also liaises on behalf of SPF with organisations such as ISSA, ILO and World Bank. The interaction helped SPF secure much needed training and reference on latest pension matters

i) Compliance and Legal matters

In 2019, the compliance and legal matters were continuously being monitored and reported to SPF's senior management on a monthly basis. SPF's compliance to relevant, laws, regulations, and policies is imperative, as it ensures that SPF is operating legally in all respect and provide the best services with adequate controls in place.

3.3.5 | FINANCE SECTION

a) The Finance Section is one of the key components of the support services at SPF that oversees the financial matters of SPF and ensures the organization attains its key objectives.

In other words, the finance function oversees the organizational processes at a micro level which includes:

- **Budget preparation, management and control;**
- **Project budgeting and cost control;**
- **Management of funds for investments;**
- **Running of the payroll;**
- **Claims processing;**
- **Payment of all expenditure;**
- **Prompt collection of all pension contributions;**
- **Timely payment of pensions / associated benefits in line with regulatory requirements;**
- **Cash flow;**
- **Financial reporting**
- **Preparation of year-end financial statements for Audit**

With the aim of continuous improvement in our systems and processes, and in line with international standards and practices, in the later part of 2019, KPMG Advisory Services carried out a thorough audit review of the property and administration costs. The audit findings are enclosed separately and all findings are being addressed.

j) Anti Money laundering and CFT

This was especially evident with the introduction of the Anti-Money Laundering and Countering the Financing of Terrorism (AML/CFT) Policy 2019, which was approved by the Board in December 2019. As a reporting entity under the AML Act, SPF is required to ensure that it has in place procedures to fight against money laundering and terrorism financing. This is especially through requirements of completion of Know Your Customer (KYC) forms, by self-employed members, tenants, buyers of assets, investment partners and depositors of voluntary contribution in cash over SCR 50,000 for due diligence and monitoring purposes.

The unit also attended to the few court cases

Since SPF is supervised and regulated by PEMC, monthly financial reports are submitted to PEMC along with quarterly results and audited annual financial statements.

The annual report and audited financial statements are also submitted to Ministry of Finance, as well as copies sent to the National Assembly, as required under SPF Act.

Financial statement preparation, face increasingly complex standards and disclosure requirements. SPF continuously keeps abreast and remain compliant with all international accounting standards.

In 2019, the finance team had a training on IFRS to ensure that all the accounts are International Financial Reporting Standards (IFRS) compliant as far as possible and the section is pleased to record that it has fully complied with all such requirements.

In 2020, significant emphasis will be placed on reviewing existing processes and we will automate wherever possible to further enhance internal control and streamline work processes to improve efficiency.

The audited financial statements are also here-with enclosed in Chapter 4.

CHAPTER 4 | BOARD OF TRUSTEES REPORT AND THE AUDITED FINANCIAL STATEMENTS

SEYCHELLES PENSION FUND
FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019

SEYCHELLES PENSION FUND
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**SEYCHELLES PENSION FUND
BOARD OF TRUSTEES' REPORT**

The Board of Trustees of the Seychelles Pension Fund is pleased to present its report together with the auditors report and the audited Financial Statements for the year ended December 31, 2019. As per the SPF Act, Section 53, the annual report is presented to the Minister responsible for Finance, the National Assembly and a copy made available on SPF's website.

BACKGROUND INFORMATION

Seychelles Pension Scheme commenced its operations under the Seychelles Pension Scheme Act, 1990, CAP 220 with effect from January 1, 1991. In August 2005, the Seychelles Pension Scheme Act, 1990 was repealed and was replaced by Seychelles Pension Fund Act, 2005 under which the scheme became a statutory body and was renamed as Seychelles Pension Fund.

REGISTERED OFFICE OF SEYCHELLES PENSION FUND

The registered office of Seychelles Pension Fund is at Caravelle House, second floor, PO Box 576, Victoria, Mahe, Seychelles.

PRINCIPAL ACTIVITIES

The principal activity of Seychelles Pension Fund is to collect contributions from members and pay benefits mostly to retiring members. It includes payment of monthly pension to pensioners and the dependents of the deceased members, as well as other benefits under various schemes as per Section 4 of the Act and applicable Regulations.

RESULTS FOR THE YEAR

	<u>2019</u>	<u>2018</u>
	SCR	SCR
Surplus for the year before fair value changes	49,462,764	42,415,459
Net changes in fair values of investments	46,499,482	64,335,576
Increase in fair value of unquoted equities - 2014 to 2017	-	41,198,565
Retained surplus brought forward	<u>847,446,668</u>	<u>699,497,068</u>
Retained surplus carried forward	<u><u>943,408,914</u></u>	<u><u>847,446,668</u></u>

INTEREST ON MEMBERS' FUND

Interest rate for the period 01.01.2019 to 31.03.2019 was 4.81% and 5.99% for Mandatroy and Voluntary contributions respectively. As at 01.04.2019, new interest rates of 2.72% and 5.99% for mandatory and voluntary contributions respectively were approved as per a new interest policy approved by the Board. This took effect from 01.04.2019 after the approval of the Minister of Finance as per SPF Act. The rates are based on average 91 days treasury bills and average saving rates for the previous year end 2018, as published by Central Bank Of Seychelles. (2018: Mandatory 2.5% and 4.81%, Voluntary 5.99%).

PLANT AND EQUIPMENT

Seychelles Pension Fund acquired property and equipment amounting to **SCR 1.9m** during the year, comprising mainly of equipment (2018: SCR 2.5m).

The Board is of the opinion that the fair value of property and equipment as at December 31, 2019 does not differ materially from their carrying amounts as per the Statement of Net Assets available for benefits at that date.

INVESTMENT PROPERTIES

Seychelles Pension Fund has invested substantial amount in properties for rental and capital appreciation purposes. As at December 31, 2019, these totaled **SCR 1.53b** (2018: SCR1.44b). During the year, additions amount to **SCR 107.8m** (2018: SCR 35.4m). The net fair value increase on investment properties as at December 31, 2019 amounts to **SCR 32.7m** (2018: 8.7m).

**SEYCHELLES PENSION FUND
BOARD OF TRUSTEES' REPORT (CONT'D)**

BOARD OF TRUSTEES

The Board of Trustees since the date of the last report and the date of this report are:

Jacquelin Dugasse- Chairman (From 18th September 2018)	Marie-Claire Marie (From August 2017)
Patrick Payet (From February 2018)	Ravi Valmont (From 1st March 2018)
Cillia Mangroo (From January 2015)	Peter Sinon (From 1st March 2018)
Malika Jivan (From February 2015 to 22nd November 2019)	Elsie Morel (From 1st March 2018)
Antoine Robinson (From February 2015)	Cindy Vidot (From 1st March 2018)
Bernard Adonis (From February 2015)	Brenda Morin (From 1st March 2018 to 22nd November 2019)

STATEMENT OF BOARD OF TRUSTEES' RESPONSIBILITY

The Board of Trustees is responsible for the overall management of the affairs of Seychelles Pension Fund and all its investment decisions. The Board also ensures that proper accounts and other books and records in relation thereto are maintained. In preparing these financial statements, the Board has a general responsibility to:

- ensure that the financial statements are on the going concern basis unless it is inappropriate to assume continuance of SPF;
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent and;
- disclose and explain any material departures from applicable accounting standards.

The Chief Executive Officer of Seychelles Pension Fund is, as defined in the Seychelles Pension Fund Act, 2005, responsible for the day to day administration, including the collection of contributions, payment of pensions and other benefits, investment of surplus monies and accounting for all monies collected, paid or invested by the Seychelles Pension Fund.

The Board and the Chief Executive Officer also have the general responsibility for taking reasonable steps to safeguard the assets of Seychelles Pension Fund (SPF) and detect fraud and other irregularities.

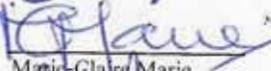
The Board and the Chief Executive Officer consider they have met their aforesaid responsibilities.

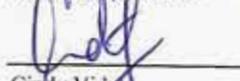
AUDITORS

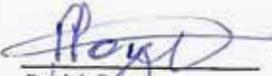
The Auditor General of Seychelles is mandated to carry out the audit of the Seychelles Pension Fund under Section 53(2) of the Seychelles Pension Fund Act, 2005. They have outsourced the services to Pool and Patel for the year 2019.

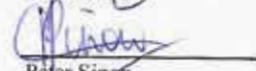
TRUSTEES

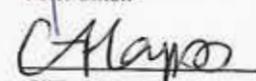

Jacquelin Dugasse


Marie-Claire Marie

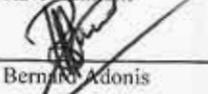

Cindy Vidot


Patrick Payet

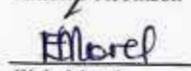

Peter Sinon


Cillia Mangroo


Ravi Valmont


Bernard Adonis


Antoine Robinson


Elsie Morel

Date: 19/03/2020



Office of the Auditor General

3rd Floor, Block C, Unity House

Victoria, Republic of Seychelles

Telephone: 248-4672500 Email: auditgen@oag.sc

Website: www.oag.sc Facebook: OAG Seychelles

Please address all correspondence to the Auditor General

**OPINION OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS
OF THE SEYCHELLES PENSION FUND**

Opinion

The accompanying financial statements of the Seychelles Pension Fund, set out on pages 7 to 42, which comprise of the statement of assets available for benefits as at 31 December 2019, the statement of income and expenditure of members' account, statement of income and expenditure on investments, and statement of cash flows for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies, have been audited on my behalf by Pool and Patel auditors, appointed under section 19 of the Auditor General Act, 2010 read with Section 53(2) of the Seychelles Pension Fund Act, 2005 as amended. As per the agreement with the auditors, they have reported to me the results of their audit and on the basis of their report, I am satisfied that all information and explanations which, to the best of my knowledge and belief, where necessary for the purpose of the audit have been obtained.

Accordingly, in my opinion,

- (a) proper accounting records have been kept by the Fund as far as it appeared from examination of those records; and
- (b) the financial statements on pages 7 to 42 present fairly, in all material aspects, the financial position of the Fund as at 31 December 2019 and of its financial performance and its cash flows for the year then ended, in accordance with the applicable International Financial Reporting Standards and comply with the Seychelles Pension Fund Act, 2005 as amended.

Basis for Opinion

The audit was conducted in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the '*Auditor-General's responsibilities for the audit of financial statements*' section of my report. I am independent of the Fund in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code), together with other ethical requirements that are relevant to the audit of financial statements in Seychelles. I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my opinion

Responsibilities of the Board of Trustees for the Financial Statements of the Fund

The Board of Trustees is responsible for the preparation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards and in compliance with the requirements of the Seychelles Pension Fund Act, 2005 as amended and for such internal control as the Board of Trustees determine, is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

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

Responsibilities of the Auditor General

The audit objectives are to obtain reasonable assurance as to whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and issue an auditor's report in accordance with the Seychelles Pension Fund Act, 2005 as amended. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of the audit in accordance with ISAs, the auditor exercises professional judgement and maintains professional scepticism throughout the audit. The auditor also:

- Identifies and assesses that risk of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtains audit evidence that is sufficient and appropriate to provide a basis for the opinion. The risk of not detecting material misstatement resulting from fraud is higher than one resulting from error, as fraud may involve collusion, forgery, intentional omission or misrepresentation, or the override of internal control;
- obtains an understanding of the internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Board of Trustees' internal control;

- evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Trustees;
- concludes on the appropriateness of the Board of Trustees' use of going concern basis of accounting and, based on the audit evidence obtained, concludes whether a material uncertainty exists relating to events or conditions that may cast significant doubt on the fund's ability to continue as a going concern. If the auditor concludes that a material uncertainty exists, the auditor is required to draw attention in the auditor's report to the related disclosures in the financial statements or if such disclosures are inadequate, to modify the opinion. My conclusions are based on audit evidence obtained to the date of my auditor's report. However, future unforeseeable events or conditions may cause the fund to cease to continue as a going concern;
- evaluates the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- communicates with the Board of Trustees among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that are identified during the audit.



Gamini Herath
Auditor General

20 March 2020
Victoria, Seychelles

INDEPENDENT AUDITOR'S REPORT**SEYCHELLES PENSION FUND****Opinion**

We have audited the financial statements of Seychelles Pension Fund set on pages 7 to 42, which comprise the statement of net assets available for benefits as at December 31, 2019, the statement of income and expenditure on investment, the Fund account statement and the cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information. The financial statements have been prepared by management in compliance with International Financial Reporting Standards.

This report is made solely for the Auditor General in accordance with the Seychelles Pension Fund Act, 2005. Our audit work has been undertaken so that we might state to the Auditor General those matters which we are required to state to him in accordance with our contract and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Auditor General for our audit work, for this report or the opinion we have formed.

In our opinion, the accompanying financial statements of Seychelles Pension Fund set out on pages 7 to 42 present fairly, in all material respects, the financial position of the Fund as at 31 December, 2019, and its financial performance and its cash flows for the year then ended partly in accordance with the reporting provision of the Seychelles Pension Fund Act, 2005 and the International Financial Reporting Standards.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Fund in accordance with the ethical requirements that are relevant to our audit of the financial statements in Seychelles, and we have fulfilled our other responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation of the financial statements in accordance with International Financial Reporting Standards (IFRS) and requirements of the Seychelles Pension Fund Act, 2005, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

The Board of Trustees are responsible for overseeing the Fund's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

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

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INDEPENDENT AUDITOR'S REPORT

SEYCHELLES PENSION FUND (Continued)

Auditor's responsibilities for the audit of the financial statements (Continued)

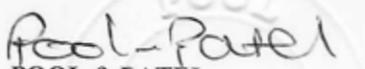
As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern. We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.

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

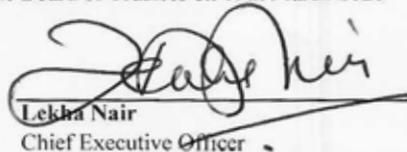

POOL & PATEL
CHARTERED ACCOUNTANTS
19 March 2020

SEYCHELLES PENSION FUND
STATEMENT OF ASSETS AVAILABLE FOR BENEFITS - 31st DECEMBER 2019

	Notes	2019 SCR	2018 SCR
ASSETS			
Non-current assets			
Property and equipment	6	31,391,046	35,753,062
Investment properties	7	1,528,634,904	1,441,036,578
Right to use on leasehold land	8	42,654,639	43,170,103
Investment in subsidiary	9	44,426,026	44,426,026
Investment in associates- Seybrew	10	248,595,450	258,539,268
Investment in associates- Al Salam Bank	10	22,403,666	21,836,581
Investment in associates- Cable & Wireless	10	330,404,100	-
Investment in financial assets	13	412,392,968	336,284,925
Loan to PMC	15	108,036,059	123,970,625
		2,768,938,859	2,305,017,168
Current assets			
Investment in financial assets	13	516,928,203	604,782,670
Receivables and prepayments	14	73,327,280	81,080,344
Assets held for sale	11	55,481,321	-
Loan to PMC	15	15,934,566	14,786,813
Cash and cash equivalents	12	106,359,146	97,597,640
		768,030,516	798,247,466
Total assets		3,536,969,375	3,103,264,635
Current liability			
Other payables	16	232,465,077	21,685,241
Non-current liability			
Retirement benefit obligations	17	7,238,580	6,231,559
Deferred Property Lease	18	6,635,395	6,744,074
Net assets available for benefits	19	3,290,630,324	3,068,603,761
Made up as follows:			
Member's fund	20	1,645,446,896	1,521,918,474
Other fund	21	533,279,754	533,279,754
Reserve funds	22	14,568,591	14,568,591
Other reserves	23	153,926,169	151,390,274
Retained earnings		943,408,914	847,446,668
		3,290,630,324	3,068,603,761

These Financial Statements have been approved for issue by the Board of Trustees on 19th March 2020


Jacquelin Dugasse
Chairperson


Lekha Nair
Chief Executive Officer

The notes on pages 11 to 42 form an integral part of these financial statements.

Auditor's Report are on pages 3 to 6

SEYCHELLES PENSION FUND
INCOME AND EXPENDITURE OF MEMBERS ACCOUNT - YEAR ENDED 31st DECEMBER 2019

	Notes	2019	2018
Contribution Income			
Compulsory contributions:		SCR	SCR
- by employees		199,312,997	184,690,529
- by employers		196,031,445	147,694,145
Voluntary contributions:			
- by employees		21,072,271	14,254,039
- by employers		7,036,488	4,167,743
		423,453,201	350,806,456
Investment income			
Interest received by members			
Net surplus for the year from investments	26	47,434,547	38,405,594
Revaluation of property to reserve	7	49,462,764	42,415,459
Net fair value changes - Page 9		2,535,894	
		46,499,482	105,534,141
		145,932,687	186,355,194
Total contribution and investment income		569,385,888	537,161,650
Benefits Paid			
- Normal Retirement		257,883,358	216,476,494
- Voluntary retirement refund upon retirement		3,712,600	4,780,481
- Death before Normal Retirement		2,870,125	1,460,202
- Permanent Incapacity		45,468,748	38,995,942
- Pre-Migration Retirement		713,268	1,119,454
- Death after Normal Retirement		11,060	16,815
- Surviving Spouse Pension		11,188,849	9,645,674
- Children Pension		4,018,126	3,768,460
- Post-Retirement Surviving Spouse		9,784,281	7,791,920
- Post-Retirement Children Pension		1,078,091	627,631
- Voluntary retirement contribution refund at 55 yrs onwards		9,050,318	-
- Refund of overpaid contributions		506,153	330,475
- Adjustments (reconciling)		1,074,346	547,068
Total Benefits paid		347,359,325	285,560,616
Excess contribution over benefits paid		76,093,876	65,245,840
Adjustment: Prior year deferred lease	18	-	6,852,754
Adjustment- Salaries and amortisation (restated)		-	1,411,169
Overall surplus for the year- net increase in assets available for benefits		222,026,563	259,864,957
Balance at January 1,		3,068,603,761	2,808,738,805
Balance as at December 31,		3,290,630,324	3,068,603,761

The notes on pages 11 to 42 form an integral part of these financial statements.
Auditor's Report are on pages 3 to 6

SEYCHELLES PENSION FUND
INCOME AND EXPENDITURE ON INVESTMENTS - YEAR ENDED 31st DECEMBER 2019

	Notes	2019	2018
		SCR	SCR
INCOME			
Interest income	24	50,720,458	44,101,740
Investment/ Dividend income	25	20,541,298	14,043,439
Rental income	7e	118,023,582	114,510,673
Other income- Surcharges		810,642	1,225,160
Change in provision for bad debts	14	-	1,041,128
Amortisation of deferred Government Grant	18	108,680	108,680
		190,204,659	175,030,818
EXPENDITURE			
Interest credited to members	26	47,434,547	38,405,594
Administrative expenses	27	47,741,010	44,466,598
Investment fees		362,721	347,554
Events and marketing		3,712,018	3,095,316
Property management expenses	7e	30,637,148	37,068,039
Depreciation of property and equipment	6	6,296,444	6,143,447
Amortisation of right to use	8	515,464	515,464
Loss on disposal of Property, Plant and Equipment		-	154,930
Auditors remuneration		460,000	460,000
Other professional fees	28	4,485,530	1,195,595
		141,644,881	131,852,537
Surplus		48,559,778	43,178,281
Gain/(Loss) on exchange differences		902,986	(762,822)
Surplus for the year before fair value changes		49,462,764	42,415,459
Increase/(Decrease) in fair value of quoted equities	13c	3,637,681	(1,507,759)
Increase in fair value of investment properties	7a	32,713,251	8,681,320
(Decrease) /Increase in fair value of associates (Seybrew)	10 (i)	(9,943,818)	43,546,779
Increase in fair value of associates (Al Salam BAnk)	10 (ii)	567,086	-
Total fair value changes		26,974,201	50,720,341
Other comprehensive income			
Increase in fair value of unquoted equities	13c	19,525,282	13,401,447
Increase in fair value of unquoted equities - 2014 to 2017	13c	-	41,198,565
Increase in fair value of PPE	6	-	213,789
Total other comprehensive income		19,525,282	54,813,801
Net changes in fair values of investment		46,499,482	105,534,141
Surplus for the year after fair value changes and other comprehensive income		95,962,246	147,949,600
Total comprehensive income brought forward		847,446,668	699,497,068
Surplus carried forward		943,408,914	847,446,668

The notes on pages 11 to 42 form an integral part of these financial statements.
Auditor's Report are on pages 3 to 6

**SEYCHELLES PENSION FUND
STATEMENTS OF CASH FLOWS - YEAR ENDED 31st DECEMBER 2019**

	Notes	2019	2018
		SCR	SCR
Cash generated from operations			
Net increase in assets available for benefits		222,026,563	259,864,957
Net cash generated from operations		222,026,563	259,864,957
<i>Adjustments for:</i>			
Depreciation of property and equipment	6	6,296,444	6,143,447
Amortisation of right to use	8	515,464	515,464
Amortisation on deferred Government Grant	18	(108,680)	(108,680)
(Profit)/loss on disposal of plant and equipment		-	154,930
Change in retirement benefit obligations	17	1,007,021	1,490,531
Change in provision for bad debts	14	-	(592,370)
Fair value gains on investment properties	7	(32,713,251)	(8,681,320)
Fair value gains transferred to reserve	7	(2,535,894)	-
Fair value gains on PPE	6	-	(213,789)
Fair value gain on unquoted equities	13	(19,525,282)	(54,600,012)
Fair value gain on quoted equities	13	(3,637,681)	1,507,759
Fair value gains on associates	10	9,376,732	(43,951,239)
Interest receivable	24	(50,720,458)	(44,101,740)
Dividend income	25	(20,541,298)	(14,043,439)
		109,439,680	103,384,500
<i>Changes in working capital:</i>			
- Decrease/(Increase) in receivables and prepayments		7,753,061	(301,788)
- (Decrease)/Increase in payables and accruals		210,779,836	4,008,573
Net cash inflow from operations		327,972,577	107,091,285
Cash flows from investing activities			
Purchase of property and equipment	6	(1,934,428)	(2,471,399)
Purchase of investment properties	7	(107,830,502)	(35,992,402)
Purchase of Shares- Cable & Wireless	10 (iii)	(330,404,100)	-
Loan disbursed to PMC	15	-	(150,000,000)
Repayment of loans by PMC	15	25,182,785	18,611,654
Purchase of financial assets	13 (d)	(566,766,528)	(581,921,516)
Proceeds from redemption of financial assets	13 (d)	601,675,917	471,357,438
Interest received (net of interest received on PMC loan)	24	40,324,486	36,732,648
Dividend received	25	20,541,298	14,043,439
Net cash outflow from investing activities		(319,211,072)	(229,640,138)
Net increase/(decrease) in cash and cash equivalents		8,761,505	(122,548,853)
Cash and cash equivalents at January 1,		97,597,641	220,146,494
Cash and cash equivalents at December 31,	12	106,359,146	97,597,641

The notes on pages 11 to 42 form an integral part of these financial statements.
Auditor's Report are on pages 3 to 6

SEYCHELLES PENSION FUND**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st DECEMBER 2019****1. General Information**

Seychelles Pension Fund (SPF) was established under the Seychelles Pension Fund Act, 2005. SPF is domiciled in the Republic of Seychelles and the address of its registered office is P.O Box 576, Caravelle House, Victoria, Mahe Seychelles.

Investments made by Seychelles Pension Fund as required under Section 50 of the Seychelles Pension Fund Act, 2005 are disclosed in the notes to the financial statements.

These financial statements will be presented to the Minister of Finance, laid before the National Assembly and made available under SPF's website in accordance with Section 53 of the SPF Act, 2005.

2. Funding policy

The overriding principle of the SPF's Funding policy is that contributions are increased in a steady and phased manner as recommended by SPF's Actuary and excess funds invested to yield maximum returns on the assets matching SPF's liabilities. In other words, funds which are not required for current benefit payments and administration expenses are invested to provide returns to assist in sustaining the SPF in the medium to long-term. As at 31.12.2019, SPF had 64% of its members below the age of 45 which means that SPF can invest 64% of its funds, as it only needs to meet the long term liabilities of these members much after 15 years.

3. Valuation of Seychelles Pension Fund

Under Section 55 of the SPF Act 2005, the Board of Trustees is required to make an actuarial evaluation of its assets and liabilities every 3 years. The last actuarial review was done for the period 2016 to 2018. The details of the actuary evaluation are disclosed in Note 19.

A new Actuary was appointed in 2018 after the former Actuary retired and BBL World Actuaries from Quebec, Canada was selected.

The Actuarial Report for the year ended 31 December 2018 including the details of significant actuarial assumptions and projections as well as, the actuarial present value of promised retirement benefits and the present value of SPF from BBL World Actuaries Quebec, Canada has been reviewed and its salient recommendations are summarised in Chapter 6 of the Actuarial Report.

Type of pension system

SPF operates a Pay-As-You-Go pension plan, which is a solidarity between generations. This means that the working generation of today pays for retirees of today and the next generation pays for tomorrow's retirees.

The pension plan is a Defined Benefits one where pensions are paid as per a pre-determined formula.

4. PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the year's presented unless otherwise stated.

The financial statements are presented in Seychelles Rupees (SCR) and all values have not been rounded up except when otherwise indicated.

(a) Basis of preparation

The Financial Statements of SPF comply with the "Public Enterprise Monitoring Commission Act, 2013" and have been prepared in accordance with International Financial Reporting Standards (IFRS). The Financial Statements have been prepared under the historical cost concept, except as disclosed in the accounting policies below.

SPF adopted the IFRS 10 consolidation exemption with regards to 'investment entities' with a date of initial application of 1 January 2017. SPF believes that a class of entity (an investment entity) uses a different business model to most other entities. It manages all of its investments on a fair value basis, whether they are simple investments, associates or

SEYCHELLES PENSION FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st DECEMBER 2019

controlled. It provides fair value information to its users, and that fair value information is more useful for decision-making than consolidated information.

(a) Basis of preparation (continued)

SPF further noted that preparing consolidated financial statements for such entities could hinder users' ability to assess their financial position and results; this is because consolidated financial statements emphasise the financial position, operations and cash flow of their investees, rather than those of the entities themselves.

IFRS 10 requires an entity that is a parent to present consolidated financial statements. The amendment provides a limited scope exception to parents that are 'investment entities'. If the entity is an investment entity under the standard, it is exempt from consolidating underlying investees that it controls; instead, it is required to account for these subsidiaries at fair value through profit or loss under IFRS 9, 'Financial instruments'.

The standard defines an investment entity as, "an entity that:

- obtains funds from one or more investors for the purpose of providing those investor(s) with investment management services;
- commits to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income or both; and
- Measures and evaluates the performance of substantially all of its investments on a fair value basis.

For an entity to qualify as an investment entity it must meet the above definition. The entity must also consider the following typical characteristics of an investment entity:

- holding more than one investment;
- having more than one investor;
- having investors that are not the entity's related parties; and
- Having ownership interests in the form of equity or similar interests.

As it stands the very purpose of a pension fund is to accumulate contributions from both employers and employees and to invest these funds for investment returns (both capital appreciation and investment income) and to distribute these returns once its members reach the age requirements in annuity until death.

The Board has found that the SPF complies with all the definitions of an investment entity and possesses all the characteristics of an investment entity; namely:

- SPF holds various financial asset investments;
- SPF investors include all Seychellois-employed residents;
- while SPF may have a few members who are related to SPF, this is purely incidental since SPF supports, by definition, all Seychellois residents and this does not affect compliance with this characteristic;
- The members have ownership interests in SPF represented by the Member's fund displayed in equity under the Statement of Financial Position.

(b) Going concern

The Board of Trustees have made an assessment of SPF's ability to continue as a going concern and are satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, the Board of Trustees are not aware of any material uncertainties that may cast significant doubt upon SPF's ability to continue as a going concern and they do not intend either to liquidate or to cease operations of SPF. Therefore, the financial statements continue to be prepared on the going concern basis.

(c) Comparative information

The previous year figures and phrases have been reclassified whenever necessary to conform to current year presentation.

SEYCHELLES PENSION FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st DECEMBER 2019

(d) Changes in significant accounting policies

SPF initially applied IFRS 16 "Leases" from 1 January 2019 using the modified retrospective approach, under which the comparative amounts are not restated, additionally, the disclosure requirements in IFRS 16 have not generally been applied to comparative information.

The adoption of IFRS 16 do not have any significant effect on the SPF's financial statements.

(e) Financial Instruments*i. Classification of financial assets and financial liabilities*

The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

Financial Assets: Classification, subsequent measurement and gains and losses

On initial recognition, a financial asset is classified as measured at: amortised cost; Fair Value through Other Comprehensive Income (FVOCI) – debt investment; FVOCI – equity instrument; or Fair Value through Profit and Loss (FVTPL).

Financial assets are not reclassified subsequent to their initial recognition unless SPF changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, SPF may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. On initial recognition, SPF may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets: Business model assessment

SPF makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- The stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of assets;

SEYCHELLES PENSION FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st DECEMBER 2019

- how the risks that affect performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or contractual cash flows collected; and
- The frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for de- recognition are not considered as sales for this purpose, consistent with SPF’s continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Financial assets: Assessment whether contractual cash flows are solely payments of principal and interest

For the purpose of this assessment, ‘principal’ is defined as the fair value of the financial asset on initial recognition. ‘Interest’ is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, SPF considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, SPF considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable rate features;
- prepayment and extension features; and
- Terms that limit SPF’s claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a significant discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Financial assets: Subsequent measurement and gains and losses

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.
Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.
Debt investments at FVOCI	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised other comprehensive income. On derecognition, gains and losses accumulated in OCI are reclassified to profit and loss.
Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

SEYCHELLES PENSION FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st DECEMBER 2019

The application of these policies are explained below.

The fixed deposits and treasury bonds are held by SPF in a separate portfolio to provide interest income. SPF considers that these instruments are held within a business model whose objective is achieved by holding financial assets to collect their contractual cash flows (rather than to sell the assets prior to their contractual maturity to realise changes in fair value). The instruments mature in one to seven years and the contractual terms of these financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. These assets have therefore been classified as financial assets at amortised cost under IFRS 9.

The equity securities represent investments that SPF both intends to hold for long-term dividends and those managed on a fair value basis. SPF has decided to not elect the FVOCI classification option for equity instruments not held for trading, therefore the entire equity portfolio of SPF have been classified as financial assets at FVTPL under IFRS 9.

Trade and other receivables and Cash and cash equivalents are classified at amortised cost under IFRS 9.

Financial liabilities: Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

ii. Recognition and Initial measurement

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when SPF becomes a party to contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transactions costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is measured at the transaction price.

iii. Derecognition

Financial assets

SPF derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transactions which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which SPF neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

Financial liabilities

SPF derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. SPF also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid is recognised in profit or loss.

iv. Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, SPF currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

SEYCHELLES PENSION FUND
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st DECEMBER 2019

v. *Impairment of financial assets*

The impairment for financial assets are derived based on an 'expected credit loss' (ECL) model and applies to financial assets measured at amortised cost and debt investments at FVOCI, but not to investments in equity instruments.

SPF recognises loss allowances for Expected Credit Losses (ECLs) on:

- financial assets measured at amortised cost;
- debt investments measured at FVOCI; and
- Contract assets (as defined in IFRS 15).

SPF measures loss allowances at an amount equal to lifetime ECL, except for the following, which are measured as 12-month ECL:

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

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, SPF considers reasonable and supportable information that is relevant and available without undue effort or cost. This includes both quantitative and qualitative information and analysis, based on SPF's historical experience and informed credit assessment and including forward-looking information. SPF assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

SPF considers a financial asset to be in default when:

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

SPF considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'.

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

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

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

Measurement of ECLs

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

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

SPF uses an internally developed model for the measurement of ECL with simplified approach.

Credit-impaired financial assets

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

SEYCHELLES PENSION FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st DECEMBER 2019

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

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by SPF on terms that SPF would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- The disappearance of an active market for a security because of financial difficulties.

Presentation of allowance for ECL in the statement of financial position

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

For debt securities at FVOCI, the loss allowance is charged to profit or loss and is recognised in OCI.

(e) Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when SPF determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with SPF's procedures for recovery of amounts due.

(f) Property and equipment

Land and building, held for use in the production or supply of goods or for administrative purposes, are stated at their fair value, based on annual valuations by external independent valuers, less subsequent depreciation for buildings. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. All other property and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the assets carrying amount or recognized as a separate asset as appropriate, only when it is probable that future economic benefits associated with the item will flow to SPF and the cost of the item can be measured reliably.

Increases in the carrying amount arising on revaluation are credited to revaluation surplus in the statements of net assets available for benefits. Decreases that offset previous increases of the same asset are charged against revaluation surplus in the statements of net assets available for benefits directly; all other decreases are charged to the income and expenditure accounts.

Depreciation is calculated on the straight-line method to write off their cost to their residual values over their estimated useful lives as follows;

	Years
Buildings	50
Improvement	15
Equipment	5
Furniture & Fittings	10
Motor Vehicle	5

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Where the carrying amount of asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

SEYCHELLES PENSION FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st DECEMBER 2019

Gains and losses on disposals of property and equipment are determined by comparing proceeds with carrying amount and are included in the Income and Expenditure Account. On disposal of revalued assets, the amounts included in revaluation surplus are transferred to retained earnings.

(g) Investment properties

Properties held to earn rent/or for capital appreciation or both are classified as investment properties. Investment properties are carried at fair value, representing open-market value determined annually by external valuers. Changes in fair values are recognized in the Income and Expenditure Account and subsequently in net assets available for benefits.

Investment properties are transferred from property and equipment when they cease to meet the recognition criteria.

(h) Investment in subsidiary

Consolidation

The subsidiaries of SPF are not consolidated due to the application of the IFRS 10 consolidation exemption for 'investment entities'.

Separate financial statements

Subsidiaries are measured and accounted for at fair value in accordance with the requirements of 'investment entities'. Fair value gains or losses on subsidiaries are recognised on a separate line on the income statement under profit or loss.

(i) Investment in associates

Separate Financial Statements

In the separate financial statements of the investor, SPF elected to measure investments in associates at fair value through profit or loss in accordance with IFRS 9 with the exemption taken from applying the equity method based on IAS 28.

(j) Contributions receivable

Contributions receivable are recognized when due which is 21st of the second month. Contributions receivable are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

The nominal value of contributions receivable is assumed to approximate its fair value.

(k) Benefits payable

Benefits payable are stated at their nominal value.

The nominal value of benefits payable is assumed to approximate its fair value.

(l) Receivables

Receivables and prepayments are recognized initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established in accordance with Note C (v).

The carrying amounts of receivables are assumed to approximate their fair values.

(m) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of 3 months or less.

SEYCHELLES PENSION FUND
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st DECEMBER 2019

(n) Foreign currencies

Functional and presentation currency

Items included in the financial statements are measured using Seychelles Rupee (SCR), the currency of the primary economic environment in which the entity operates ("functional currency"). The financial statements of SPF are presented in Seychelles Rupee, which is SPF's functional and presentation currency.

Transaction and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing on the dates of the transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of comprehensive income.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the statement of comprehensive income within 'finance income or cost'. All other foreign exchange gains and losses are presented in the Statement of comprehensive income within 'other (losses)/gains net'.

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Non-monetary items that are measured at fair value in foreign currency are translated using the exchange rates at the date the fair value was determined.

Translation difference on non-monetary items, such as equities held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation differences on non-monetary items, such as equities classified as available-for-sale financial assets, are included in the fair value reserve in equity.

(o) Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

(p) Leases

IFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessees and lessors. It will supersede the following lease Standard and Interpretations upon its effective date:

- IAS 17 Leases;
- IFRIC 4 Determining whether an Arrangement contains a Lease;
- SIC-15 Operating Leases – Incentives; and
- SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

Identification of a lease IFRS 16 applies a control model to the identification of leases, distinguishing between leases and service contracts on the basis of whether there is an identified asset controlled by the customer. Control is considered to exist if the customer has:

- a) the right to obtain substantially all of the economic benefits from the use of an identified asset; and
- b) the right to direct the use of that asset.

Leases as lessee

IFRS 16 introduces significant changes to lessee accounting: it removes the distinction between operating and finance leases under IAS 17 and requires a lessee to recognise a right-of-use asset and a lease liability at lease commencement for all leases, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less

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accumulated depreciation and impairment losses, adjusted for any re-measurement of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at that date discounted using the incremental borrowing rate at the date of transition. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others.

If a lessee elects not to apply the general requirements of IFRS 16 to short-term leases (i.e. one that does not include a purchase option and has a lease term at commencement date of 12 months or less) and leases of low value assets, the lessee should recognise the lease payments associated with those leases as an expense on either a straight-line basis over the lease term or another systematic basis, similar to the current accounting for operating leases.

Leases as lessor

Lessor accounting in contrast to lessee accounting, the IFRS 16 lessor accounting requirements remain largely unchanged from IAS 17, which continue to require a lessor to classify a lease either as an operating lease or a finance lease.

The Company leases out its investment property. The Company has classified these leases as operating leases, because they do not transfer substantially all of the risks and rewards incidental to the ownership of the assets.

Lease rental charges are charged to the Income and Expenditure Account on a straight-line-basis over the period of lease. The amount paid at inception by SPF to acquire lease interest on land has been capitalized as a cost to the right of use assets and depreciated over the lease term.

(q) Interest and dividend income

Interest income or expense is recognised using the effective interest method. Dividend income is recognised in profit or loss on the date on which SPF's right to receive payment is established.

The 'effective interest method' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- The amortised cost of the financial liability.

In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability. However, for financial assets that have become credit-impaired subsequent to initial recognition, the interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

(r) Retirement benefit obligations

Defined benefit plan – Employees of Seychelles Pension Fund

As per the Employment Act of Seychelles, compensation obligation is only paid to employees leaving after five years of continued service. The entitlement is usually conditional on the employee remaining in service up to existing and the completion of a minimum service period. In Seychelles, this is conditional on the employee remaining in employment for at least five years.

The obligation is calculated using a projected unit credit method, adjusted for a probability that the employee will remain in service up to 5 years. The management computed the obligation and did not utilise any external, independent actuaries. The obligation is calculated, along with unrecognised gains and losses which are recognised in the Income and Expenditure when incurred. Obligations are derecognised upon settlement or curtailment of the obligation.

(s) Tax

In accordance with paragraph 69 of the Seychelles Pension Act, 2005, SPF is exempt from stamp duty, business tax, trade tax, goods and services tax and all other taxes, fees and duties on its assets, documents, instruments, profits, operations and properties.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st DECEMBER 2019

(t) Accruals

Accruals are recognised when SPF has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources, that can be reliably estimated, will be required to settle the obligation.

(u) New standards or amendments for 2019 and forthcoming requirements

Effective date	New standards or amendments	Impact to SPF
01st January 2019	IFRS 16 Leases	No impact
01st January 2019	IFRIC 23 Uncertainty over Income Tax Treatments	No impact
01st January 2019	Prepayment Features with Negative Compensation (Amendments to IFRS 9)	No impact
01st January 2019	Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)	No impact
01st January 2019	Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)	No impact
01st January 2019	Annual Improvements to IFRSs 2015–2017 Cycle (Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23)	No impact
01st January 2020	Amendments to References to Conceptual Framework in IFRS Standards	SPF is still assessing the impact
01st January 2020	Definition of a Business (Amendments to IFRS 3)	SPF is still assessing the impact
01st January 2020	Definition of Material (Amendments to IAS 1 and IAS 8)	SPF is still assessing the impact
01st January 2021	IFRS 17 Insurance Contracts	SPF is still assessing the impact

5. Critical accounting estimates and judgements

Estimates and judgements are continuously evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

SPF makes estimates and assumptions concerning the future. The resulting accounting estimates will by definition, seldom equal the related actual results. The estimates and assumptions that have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within next year are discussed below.

(a) Classification of financial assets

SPF follows the guidance of International Financial Reporting Standard (IFRS) 9 – “Financial instruments” on classifying non-derivative financial assets in accordance with SPF’s business model and cash flow test. This classification requires significant judgement. In making this judgement, SPF evaluates its intention and ability to hold such investments to collect contractual cash flows or to achieve an objective by both collecting contractual cash flows and selling financial assets.

(b) Impairment of financial assets

SPF follows the guidance of IFRS 9 ‘expected credit losses’ method to determine whether its financial assets requires impairment. Expected credit losses are calculated by identifying scenarios in which a loan or receivable defaults; estimating the cash shortfall that would be incurred in each scenario if a default were to happen; multiplying that loss by the probability of the default happening; and summing the results of all such possible default events. This process requires significant judgement. In making this judgement, SPF considers all facts and circumstances that are available at the reporting date.

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(c) Impairment of other assets

At each balance sheet date, management reviews and assesses the carrying amounts of the other assets and where relevant writes them down to their recoverable amounts based on the best estimates.

(d) Retirement benefit obligation

The cost of compensation has been determined using the method as per the Seychelles Employment Act and have been estimated which will not be materially different had it been computed by an external Actuary.

(e) Limitations of sensitivity analysis

Sensitivity analysis in respect of market risk demonstrates the effect of a change in a key assumption while other assumptions remain unchanged. In reality, there is a correlation between the assumptions and other factors. It should also be noted that these sensitivities are non-linear and larger or smaller impacts should not be interpolated or extrapolated from these results.

Sensitivity analysis does not take into consideration that SPF's asset and liabilities are actively managed. Other limitations include the use of hypothetical market movements to demonstrate potential risk that only represent SPF's views of possible near-term market changes that cannot be predicted with any certainty.

(f) Contributions receivable

As per SPF Act 2005, contributions are due on the 21st day of the following month. At year end, contributions for the month of December are due to be paid in January the following year which is not in the financial year. Therefore an estimate is made based on the actual contribution received of the preceding months.

(g) Fair Value Estimation

The fair value of financial instruments traded in active markets is based on quoted market prices. The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. SPF uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. SPF uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and

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The following table shows the carrying amounts and fair values of financial assets, including their levels in the fair value hierarchy. It does not include fair value information for financial assets not measured at fair value if the carrying amount is a reasonable approximation of fair value:

31 December 2019 In thousands of rupees	Note	Carrying amount			Fair value			
		Mandatorily at FVTPL	Amortised cost	Total	Level 1	Level 2	Level 3	Total
Financial assets measure at fair value				239,017	12,313	-	226,704	239,017
Equity securities	13	239,017		239,017	12,313	-	226,704	239,017
Financial assets not measured at fair value								
Fixed deposits	13		356,842	356,842				
Treasury bonds	13		345,208	345,208				
Cash and cash equivalents	12		97,598	97,598				
Trade and other receivables	14		85,662	85,662				
			885,310	885,310				
31 December 2018								
In thousands of rupees								
Financial assets measure at fair value				147,619	12,478	-	135,141	147,619
Equity securities	13	147,619	-	147,619	12,478	-	135,141	147,619
Financial assets not measured at fair value								
Fixed deposits	13	-	289,283	289,283				
Treasury bonds	13	-	340,509	340,509				
Cash and cash equivalents	12	-	220,146	220,146				
Trade and other receivables	14	-	85,187	85,187				
			935,125	935,125				

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(h) FINANCIAL RISK MANAGEMENT

SPF's activities expose it to a variety of financial and non-financial risks. In 2018, a Risk Register was compiled by SPF to record and measure all risks. A description of the significant risk factors is given below together with the risk management policies applicable.

(i) Investment risk

There are some directly linked to the investments of SPF. Sustained poor performance would lead to insufficient returns that are currently topping up the surplus of excess contribution over pension payments. SPF prefers a prudent approach to asset management that is likely to generate moderate, regular returns. The primary control measure is the regular appraisal of SPF's assets and investment strategy by the Board of Trustees upon the advice of the Actuary and other external advisors as appropriate.

The following types of investment risk can be justified:

Interest rate risk

The risk that falling interest rates will reduce investment income on the assets or lead to falling values of fixed income instruments.

SPF finances its operations through operating cash flows which are principally denominated in Seychelles Rupee.

Several specific risk measures may be cited:

- SPF's primary interest rate risk relates to interest-bearing investments. The information on maturity dates and effective interest rates of financial assets are disclosed under Note 11.
- SPF does not borrow, so the cost of borrowing is nil and unaffected by rate rises.
- There is a loan portfolio of loans to PMC at "fixed" rates. Although these rates are adjusted where the spread between SPF's rates and bank rates becomes too significant, there is a certain inertia that tends to protect SPF from sudden or temporary falls.

(j) Sensitivity analysis

If interest rates have been 100 basis points higher/lower and all other variables were kept constant, SPF's surplus for the year ended December 31, 2018 would be impacted as follows:

	Amortised Cost Financial Assets	
	2019	2018
	SR'000	SR'000
Impact on surplus for the year (+/- 100 basis points)	7,021	6,298

The risk that a sudden fall in asset values restricts SPF's ability to pay benefits. There are several ways in which SPF manages this risk:

- Diversification – the assets are held in a wide range of different investments, thus limiting the probability of all assets falling in values simultaneously. However, there are few investment mediums.
- Liquidity – great care is taken to ensure that SPF should not need to realize potentially volatile assets when their values are less.

SEYCHELLES PENSION FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st DECEMBER 2019

(k) FINANCIAL RISK MANAGEMENT (CONTINUED)

SPF is exposed to equity securities price risk because of investments held by SPF and classified on the statement of net assets available-for-sale.

The table below summarises the impact of increases/decreases in fair value of the investments on SPF's fair value of financial assets. The analysis is based on the assumption that the fair value had increased/decreased by 5%.

Liquidity Risk	Financial assets at FVTPL	
	2019 SR'000	2018 SR'000
Impact of change in fair value of 5%	11,951	7,381

(i) Liquidity risk

The risk that cash flow requirements will force SPF to realize an investment on poor terms, either through the investment's unmarketability (a loan) or illiquidity (a building), or simply because the asset value is temporarily depressed (a share).

SPF controls this risk primarily via a detailed annual budget to ensure that the investment strategy will generate positive cash flows, including where necessary the proceeds of the sale of certain assets. Cash flow forecasts help SPF to take appropriate actions.

SPF also has a portfolio of liquid assets, the maturities of which falls either before or concurrent to the maturity of its obligations.

Procedures have also been established throughout SPF so that all users channel their requirements to the finance function. This ensures that budget exercise is carried out in an effective manner.

Management monitors rolling forecasts of SPF's liquidity reserve on the basis of expected cash flow and does not foresee any major liquidity risk over the short to medium term.

(ii) Credit risk

The risk that a member defaults on his contributions or a possible default by a tenant.

The risk is minimised by the fact that contribution to SPF by active workers are mandatory and contributions are deducted directly from employees' salaries and remitted to SPF. There is no history of material bad debts from contributions. SPF has established procedures to ensure that rental agreements are made with tenants with an appropriate credit history and through a newly introduced standing of order monthly rent payments which are assumed. Therefore risks of bad debts are considered to be low. A new bad debt policy is also being followed.

(iii) Currency risk

SPF's activities are not exposed to currency risk. However, SPF requires foreign exchange for developing its overseas investment which are met through requests with financial institutions.

Only a small percentage of the portfolio is invested overseas mainly in listed foreign market and recently a foreign bank.

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FINANCIAL RISK MANAGEMENT (CONTINUED)

(iv) Counter party risk

The risk that an external fund manager defaults on its contractual responsibilities.

The risk is mitigated via the following measures:

- All fund managers are subject to rigorous in-house assessment and due diligence from re known, independent external experts prior to appointment, and to regular appraisal thereafter,
- Overseas fund managers are generally large, well-established organisations with sound reputations and track records,
- SPF seeks independent professional advice on overseas fund managers
- There is presently only one fund manager with whom SPF has entrusted with investing in Mauritian market,
- SPF manager provides regular monthly reports to SPF based on an established investment policy.

(l) Economic risk

This corresponds to the risk that external economic events (other than those specifically related to investments) will weaken SPF's financial position. Two examples of such risk are apparent:

(i) Industry risk

The risk that the economy collapses, leading to redundancies, early retirements and cessation of contributions, amongst other wider social, political and economic effects in Seychelles. The primary likely effect on SPF of such an outcome would be an increase in benefits outgo (early retirements) and an accelerated shift from positive net cash flow to negative net cash flow. Cash flow analysis of this kind of scenario suggests that realization of assets of fund would provide the necessary liquidity to counter the cash flow need.

(ii) Inflation risk

Whilst the Central Bank has a policy of price stability, one cannot assume that a small isolated country such as Seychelles will always be able to control inflation. Inflation would not necessarily be a problem for SPF if it was accompanied by compensatory increase if one could not necessarily always count on the alignment of inflation and yields.

SPF protects itself in the following ways:

- Real assets (shares, property) would be expected to appreciate in value both in terms of capital and income growth,
- Overseas holdings would tend to buoy up returns since one might expect local inflation to be closely linked to Rupee depreciation,
- When considering the purchase of Government debt instruments, SPF demands a significant yield compensation for inflation risk on long term instruments.
- For pension there is a capping of 5% inflation.

(m) Operational risk

The risk that SPF may incur financial losses due to negligence or fraud.

Operational risk is, however, remote since SPF's operations are supported by a strong management structure and controls in place. These activities are under close supervision of management, in turn monitored by the Board of Trustees who is given a monthly report from the CEO.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st DECEMBER 2019

(n) FINANCIAL RISK MANAGEMENT (CONTINUED)

There is also an Internal Audit department assessing and testing all risks and internal controls helping to reinforce any shortfalls that could come across. A Risk Department and a Quality Assurance Analyst also does thorough “audits” and risk mitigation processes to ensure that there are no malpractices and fraud.

(o) Legal risk

The risk that SPF commits an act that is subsequently deemed illegal and would be subject to penalty. This risk is somewhat limited since SPF is governed principally under a single, clear piece of legislation: The “Seychelles Pension Act, 2005”. All the activities of SPF are regulated by the Act, and SPF are regulated by PEMC. SPF is also accountable to the Minister of Finance for its Annual report, a copy of which is also submitted to the National Assembly.

(p) Disaster recovery risk

The risk that a disaster wipes out SPF’s capacity to continue its operations.

The most obvious example is that the offices burn down, destroying all written and electronic records.

The written records would be lost if the entire offices were destroyed. Such loss is not considered to be significant, although it would represent an inconvenience. This is because all major files are stored electronically and centrally, and are subject to rigorous external backup procedures. In particular, the backups are also held off-site. On a related note, internet security issues have also been addressed. A single, isolated PC is dedicated to internet, and all external discs must be scanned on this machine prior to contact with the network. The presence of IT Office adds to the security of the back-ups of electronic information. All records of members have also been digitalised. IT Section also undertakes a vigorous audit of its IT System, practices and users every 2 years by an independent external IT auditor from Mauritius.

As to the risk to SPF of death of one or more of its staff, it is our view that there is no “key man” such that this would materially affect SPF. There is also a clear and well defined succession planning within SPF.

(q) Reputational risk

The risk that certain activities of SPF be badly perceived by the public, thus damaging SPF’s capacity to operate.

SPF’s policy of transparency and open communication together with corporate governance framework will protect it from this risk. Although reputation is a fragile quality, SPF has established a sound and credible reputation. SPF has always promoted transparency especially with members, notably via dissemination of information and explanatory literature. It’s very detailed annual report and financial statements each year also promotes clarity and full comprehensive details of all SPF’s activities for the year. Website and other social media platforms are also well used as regular communication and information channels to all SPF stakeholders, especially its members.

SPF also plans to introduce a culture of best practice in every segment of its activities by benchmarking on whatever appropriate procedures are applied by enterprises around the world (e.g. custodians, independent fund managers, application of International Accounting Standards, etc.) An annual General Meeting started in 2017 will also help in addressing such risk.

(r) Anti-Money Laundering Act and prevention of Terrorism Act

SPF complies fully with Financial Institutions Act, Anti- Money Laundering Act, 2006 and Prevention of Terrorism Act, 2004. SPF observes all requirements and policies to ensure that there is no money laundering and terrorist financing sources of funds. SPF’s main two sources of funds come via the banking system through contributions from employers and employees mostly via Company bank accounts or personal bank accounts with minimal cash. The other source of funds are from investment returns all from banking system. All banks are supervised by Central Bank of Seychelles and have stringent Anti- Money Laundering systems in place. Other mechanisms that SPF observes are;

- A new anti-money laundering and anti-terrorism financing policies in place since 2019
- Employee training in AML.

SEYCHELLES PENSION FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st DECEMBER 2019

- Independent audits
- Policies and procedures to detect and report suspicious transactions and ensure compliance with the laws.
- Timely communications with regulators.

There were no non-compliance cases concerning AML and Terrorist Financing. This is because SPF does not receive any income in foreign currency outside Seychelles other than returns from SPF investments, which are all bank transactions.

SEYCHELLES PENSION FUND
NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31st DECEMBER 2019

6. PROPERTY AND EQUIPMENT

(a) December 31, 2019

	Buildings on leasehold land and improvements		Equipment		Furniture and fittings		Motor vehicles		Total	
	SCR	SCR	SCR	SCR	SCR	SCR	SCR	SCR	SCR	SCR
COST AND VALUATION										
At January 1, 2019	41,194,420	17,668,616	11,068,672	2,948,739	72,880,447					
Additions	-	1,445,116	219,152	270,160	1,934,428					
Revaluation	-	-	-	-	-					
Disposals	-	-	-	-	-					
At December 31, 2019	41,194,420	19,113,732	11,287,824	3,218,899	74,814,875					
<i>Analysed as:</i>										
- Cost	39,260,971	19,113,732	11,287,824	3,218,899	72,881,426					
- Valuation	1,933,449	-	-	-	1,933,449					
DEPRECIATION										
At January 1, 2019	21,288,482	8,986,670	4,505,857	2,346,378	37,127,383					
Charge for the year	2,709,058	2,214,395	984,567	388,424	6,296,444					
Disposal adjustments	-	-	-	-	-					
At December 31, 2019	23,997,540	11,201,065	5,490,424	2,734,802	43,423,827					
NET BOOK VALUE										
At December 31, 2019	17,196,880	7,912,667	5,797,400	484,097	31,391,046					

(b) The Board is of the opinion that the fair value of property and equipment at 31 December 2019 does not differ materially from their carrying amounts.

SEYCHELLES PENSION FUND
NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31st DECEMBER 2019

6. PROPERTY AND EQUIPMENT (CONT'D)

(c) December 31, 2018

	Buildings on leasehold land and improvements	Equipment	Furniture and fittings	Motor vehicles	Total
	SCR	SCR	SCR	SCR	SCR
COST AND VALUATION					
At January 1, 2018	40,980,631	16,291,828	11,468,947	2,948,739	71,690,145
Additions	-	2,218,022	259,378	-	2,477,401
Revaluation	213,789	-	-	-	213,789
Disposals	-	(841,235)	(659,653)	-	(1,500,888)
At December 31, 2018	41,194,420	17,668,616	11,068,672	2,948,739	72,880,447
<i>Analysed as:</i>					
- Cost	39,260,971	17,668,616	11,068,672	2,948,739	70,946,998
- Valuation	1,933,449	-	-	-	1,933,449
DEPRECIATION					
At January 1, 2018	18,579,424	7,724,691	4,112,612	1,907,167	32,323,894
Charge for the year	2,709,058	2,011,478	983,704	439,211	6,143,447
Disposal adjustments	-	(749,499)	(590,459)	-	(1,339,958)
Transfer	-	-	-	-	-
At December 31, 2018	21,288,482	8,986,670	4,505,857	2,346,378	37,127,383
NET BOOK VALUE					
At December 31, 2018	19,905,938	8,681,946	6,562,815	602,361	35,753,062

(d) If property had been carried at cost less accumulated depreciation, the carrying amount would have been as follows:

Cost		2019	2018
Accumulated depreciation	SCR	SCR	SCR
Net book value	39,260,971	39,260,971	39,260,971
	(18,871,628)	(18,871,628)	(16,254,230)
	20,389,343	20,389,343	23,006,741

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NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31st DECEMBER 2019

6. PROPERTY AND EQUIPMENT (CONTINUED)

- (e) The land and buildings were valued at December 31, 2019 by an independent valuer. The value of the land and buildings is subject to review every year as per the new revised Valuation of Properties Policy approved by the Board in Year 2019.

7. INVESTMENT PROPERTIES

(a) Fair value

	2019	2018
	SCR	SCR
At January 1,	1,441,036,578	1,396,362,857
Additions	107,830,502	35,449,996
Revaluation on investment properties	32,713,251	8,681,320
Revaluation on investment properties to reserve account	2,535,894	-
Transfer to Assets held for sale-Refer to note 11	(55,481,321)	-
Adjustment	-	542,406
At December 31,	1,528,634,904	1,441,036,578

- (b) The value of the investment properties are subject to review every year by an independent professionally qualified valuer, on an open-market basis with existing tenancies based on a Valuation of Properties Policy approved by the Board. A Valuation Committee has also been set up since 2018 to review the value of the investment properties on an annual basis as per policy. The Valuation Committee is chaired by an independent, experienced and qualified professional who is well versed in valuation of land. A valuation of properties policy has also been introduced.
- (c) The fair value of the properties has been valued by an external valuer and fall within category level 3 of the fair value hierarchy.
- (d) If Investment properties had been carried at cost less accumulated depreciation, the carrying amount would have been as follows:

	2019			2018
	Land SCR	Building SCR	Total SCR	Total SCR
Cost	176,774,099	755,237,622	932,011,721	932,011,721
Accumulated depreciation	-	(90,642,217)	(90,642,217)	(75,537,465)
Net book value	176,774,099	664,595,405	841,369,504	856,474,256

- (e) The following amounts have been recognised in profit or loss:

	2019	2018
	SCR	SCR
Rental income	118,023,582	114,510,673
<u>Property Management expenses:</u>		
Direct operating expenses generating rental income-Adjustment for 2018	(1,327,589)	-
Direct operating expenses generating rental income	(29,309,559)	(37,068,039)
Total	(30,637,148)	(37,068,039)
Profit arising from investment property	87,386,433	40,374,595
Increase in fair value	32,713,251	8,681,320
Total	120,099,685	49,055,915

- (f) As at 31 December 2019, several investment properties under construction are carried at cost for a total amount of SCR 70.7m (2018: SCR 38.4m) because they are work in progress. The prior year property expense for 2018 adjusted in 2019 are for Mascareignes Properties service charges.

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NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31st DECEMBER 2019

8. RIGHT TO USE ON LEASEHOLD CARAVELLE HOUSE

- (a) Deposit was paid to Mascareignes Properties Limited in 2005 on a long term lease of 97 years. The initial deposit on the lease amounting to SR 50 million paid in 2006 is being amortised over the term of lease and the movement is as follows:

	2019	2018
Cost	SCR	SCR
As at 1 January	50,000,000	50,000,000
Amortisation		
At 1 January,	6,829,897	6,314,433
- Charge for the year	515,464	515,464
At 31 December	7,345,361	6,829,897
Net Book Value		
At 31 December	42,654,639	43,170,103

9. INVESTMENT IN SUBSIDIARY

	2019	2018
Proportionate shareholding	51%	51%
Opportunity Investment Company Limited - At fair value (2018: SCR 115 per share)	44,426,026	44,426,026

- No fair value adjustment has been made in view that there was no change in fair value as at 31.12.2019.

- (a) Details of the SPF's subsidiary, Opportunity Investment Company Limited (OICL), are given below:

	OICL
Class of shares held:	Ordinary
Year end:	31 December
Proportion of ownership interest and voting power held (direct):	51%
Country of incorporation and residence:	Seychelles
Activity:	Investment holding

OICL was incorporated as an investment vehicle solely for the purpose of acquiring shares in SACOS. OICL currently holds 757,477 shares in SACOS which represents an ownership interest of 19.32%.

The fair value of OICL is derived from the fair value of the SACOS shares it holds. At the end of the reporting period the value per SACOS share as listed on the stock exchange was SCR 115.

Total value of SACOS shares in OICL as at 31 December 2019 (757,477 at SCR 115 each):	87,109,855
Seychelles Pension Fund's 51% portion of the total value	44,426,026

The Fund has also directly invested in SACOS with a total investment of 26,569 shares which represents an ownership interest of 1.33%. This investment has been classified under financial assets measured at fair value through profit or loss.

As at 31 December 2019, SPF holds 20.64% in SACOS in total of which 19.32% through OICL and 1.33% directly in SACOS at a total fair value of SCR 47,481,461.

SEYCHELLES PENSION FUND
NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31st DECEMBER 2019

9. INVESTMENT IN SUBSIDIARY (CONTINUED)

(b) Summarised financial information in respect of the Fund's subsidiary is set out as below:

(i) Summarised statement of Financial position and statement of profit or loss and other income:

Opportunity Investment Company Limited	2019	2018
	SCR'000	SCR'000
Current assets	391	1,507
Non-current assets	87,110	87,110
Current liabilities	29	1,135
Non-current liabilities	-	-
Revenue	1,515	1,135
Total comprehensive profit or loss for the year	1,476	1,134

(ii) Summarised cash flow information:

Opportunity Investment Company Limited	2019	2018
	SCR'000	SCR'000
Operating activities	370	2,332
Investment activities	-	-
Financing activities	1,485	1,106
Net change in cash and cash equivalents	(1,115)	1,226

(iii) There is no commitment and contingencies as at the reporting period

10. INVESTMENT IN ASSOCIATES

(a) At fair value	2019	2018	2019	2018
	% Held	% Held	SCR	SCR
Seychelles Breweries Limited	26%	26%	248,595,450	258,539,268
Al Salam Bank (non- listed)	30%	30%	22,403,666	21,836,581
Cable & Wireless (non-listed)	22%	-	330,404,100	-
(i) Movements- Seybrew			2019	2018
			SCR	SCR
Balance as at January 1,			258,539,268	214,992,489
Fair value adjustments			(9,943,818)	43,546,779
Balance as at December, 31			248,595,450	258,539,268

Seychelles Breweries has a financial reporting period ending 30 June.

At 31 December 2019, the fair value of the Fund's interest in Seychelles Breweries Limited, which is listed on the Trop-X exchange, was SCR 75 per share (2018: SCR 78) based on the quoted market price available, which is a level 1 input in terms of IFRS 13.

(ii) Movements- Al Salam bank

	2019	2018
	SCR	SCR
Balance as at January 1,	21,836,581	20,975,220
Fair value adjustments	567,086	861,361
Balance as at December, 31	22,403,667	21,836,581

The Al Salam Bank has a financial reporting period ending 31st December and has only started full operations from February 2019 onwards.

As at 31 December 2019, the fair value of the shares in respect of Al Salam Bank which is a non-listed company were calculated using the adjusted net asset value method which is a level 3 input in terms of IFRS 13. This is as per SPF's new policy on valuation of unlisted equities.

SEYCHELLES PENSION FUND
NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31st DECEMBER 2019

10. INVESTMENT IN ASSOCIATES (CONTINUED)

(iii) Movements- Cable & Wireless

	2019	2018
	SCR	SCR
Balance as at December, 31 at cost	330,404,100	-

(b) Details of the Fund's associates at the end of the reporting period:

Name	Seychelles Breweries Limited
Principle Activities	Beverage manufacturing

(i) Summarised statement of Financial position and statement of profit or loss and other income as per the Un audited Financial Statements.

	30 June 2019	30 June 2018
	SCR '000	SCR '000
Assets		
Current assets	148,280	151,422
Non-current assets	340,003	314,647
Liabilities		
Current liabilities	90,255	129,692
Non-current liabilities	51,212	39,057
Revenues	422,177	375,534
Profit before tax	111,790	62,113
Other comprehensive income	-	-
Total comprehensive income	80,996	42,618
Proportion of ownership interest and voting rights (Direct)	26%	26%

(ii) Summarised cash flow information:

	30 June 2019	30 June 2018
	SCR	SCR
Operating activities	131,044	94,038
Investment activities	(59,792)	(75,171)
Financing activities	(31,500)	(25,200)
Net change in cash and cash equivalents	39,752	(6,333)

(iii) There is no contingent liability as at the reporting period

(c) Name	Al Salam Bank Seychelles
Principle Activities	Banking Services

(i) Summarised statement of Financial position and statement of profit or loss and other income as per unaudited Financial Statements.

	31 December 2019	31 December 2018
	USD	USD
Assets	42,827,217	41,326,712
Liabilities	37,263,131	35,832,429
Equity	5,564,086	5,494,283
Revenues	2,156,263	1,736,030
Profit before tax	169,187	198,072
Tax charge	72,795	10,071
Total comprehensive income	169,803	161,883
Proportion of ownership interest and voting rights (Direct)	30%	30%

SEYCHELLES PENSION FUND

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31st DECEMBER 2019

10. INVESTMENT IN ASSOCIATES (CONTINUED)

(ii) Summarised cash flow information:

Alsalam Bank Seychelles

	31 December 2019	31 December 2018
	USD	USD
Operating activities	7,317,996	7,478,550
Investment activities	852,299	845,037
Financing activities	527,740	(100,000)
Net change in cash and cash equivalents	8,698,035	8,223,587

(iii) There is no commitment and contingencies as at the reporting period

(b) Details of the Fund's associates at the end of the reporting period:

Name	Cable & Wireless
Principle Activities	Telecommunication

(i) Summarised statement of Financial position and statement of profit or loss and other income as per the Unaudited Financial Statements.

	31 December 2019	31 December 2018
	SCR'000	SCR'000
Assets		
Current assets	333,450	203,008
Non-current assets	1,707,870	1,398,924
Liabilities		
Current liabilities	180,835	169,033
Non-current liabilities	85,067	82,035

(iii) There is no contingent liability as at the reporting period

11. ASSETS HELD FOR SALE

	2019	2018
	SCR	SCR
Transfer from investment properties as per note 7. There are outstanding dues of SCR6m to pay consultants, contractors plus retention.	55,481,321	-

The Government has made an offer to purchase the Ile Perseverance Property at SCR68.5m.

12. CASH AND CASH EQUIVALENTS

	2019	2018
	SCR	SCR
Cash at bank	106,297,545	97,554,037
Cash in hand	61,600	43,602
	106,359,146	97,597,640

SEYCHELLES PENSION FUND

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31st DECEMBER 2019

13. INVESTMENT IN FINANCIAL ASSETS

	2019	2018
	SCR	SCR
Non-current investments		
Fixed deposits - Amortised cost	32,092,070	42,092,070
Treasury bonds local - Amortised cost	153,945,000	87,880,000
Treasury bonds foreign - Amortised cost	20,523,190	20,005,429
Equity securities at fair value through OCI	205,832,708	186,307,426
	412,392,968	336,284,925
Current investments		
Fixed deposits - Amortised cost	251,888,785	311,205,104
Treasury Bills - Amortised cost	209,412,481	211,263,993
Treasury bonds local - Amortised cost	8,935,000	38,450,000
Equity securities - mandatorily at fair value through profit or loss	46,691,937	43,863,573
	516,928,203	604,782,670
Total financial assets	929,321,171	941,067,595

- (a) Investments in fixed deposits represent term deposits with banks with interest rates ranging from 2.25% to 3.80% for USD account (2018: USD 2.25% to 3.80%) and 4.90% to 7% (on local currency account) per annum (2018: SCR 4.90% to 7%) with maturity dates from 22 February 2019 to 24 April 2025.
- (b) Investments in Treasury Bonds comprise bonds with interest rates ranging from 5.50% to 7.50% per annum (2018 : 5.50% to 7.50%) and treasury bills from 4.76% to 5.88% for 365 days (2018 : 4.76% to 7.30%) maturity dates from 16 March 2019 to 31 July 2026.
- (c) Equity securities comprise local securities listed on the Seychelles stock exchange, unquoted foreign securities, an exchange traded fund and a Mauritian equity portfolio. Hierarchy of fair value levels is detailed under note 5 (d).
- (d) The financial assets at amortised cost comprises of investment in fixed deposits, treasury bills and bonds and loan to Property Management Company (PMC) and SPF has opted not to provide for impairment as the probability of default is low and provision for impairment is insignificant. There is no impairment for equity securities as per IFRS 9.

Due to limited information available for the fair value determination of the unquoted foreign securities, their fair values have been determined based on the adjusted net assets value which is a level 3 hierarchy classified as an unobservable input of IFRS 13. The fair value of the unquoted equities was calculated for the first time in 2018. The details of these instruments are as follows:

	2019	2018
	SCR	SCR
Afreximbank	41,760,143	37,209,707
TDB Class B Shares	160,347,035	145,519,224
Seychelles commercial bank	3,725,531	3,578,495
	205,832,708	186,307,426

The details of the fair value adjustments for the investments in unquoted equities are as follows:

	2019	2018
	SCR	SCR
Afrexim Bank	4,550,436	4,024,073
TDB Class B shares	14,827,811	50,382,444
Seychelles Commercial Bank	147,036	193,495
	19,525,282	54,600,012

The details of the fair value adjustments for the investments in quoted equities are as follows:

	2019	2018
Exchange Traded Fund	3,291,033	(1,192,373)
Mauritius Stock Exchange	129,808	(315,386)
Central Common Cold store	216,840	-
	3,637,681	(1,507,759)

- (d) The net movement in the financial assets including equity securities is shown below,

	2019	2018
Opening balance January 1	941,067,595	777,411,264
Additions	566,766,528	581,921,516
Redemption	(601,675,917)	(471,357,438)
Fair value gain	23,162,965	53,092,253
Closing balance December 31	929,321,171	941,067,595

- (e) Investments in financial assets are denominated in the following currencies:

	2019	2018
	SCR	SCR
Seychelles Rupee	656,257,302	598,431,979
Mauritian Rupee	32,156,573	32,318,319
US Dollar	240,907,296	310,317,297
	929,321,171	941,067,595

SEYCHELLES PENSION FUND

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31st DECEMBER 2019

14. RECEIVABLES AND PREPAYMENTS

		2019	2018
		SCR	SCR
i)	Contributions receivables from members	32,395,538	27,860,479
	Amount receivable from the Government of Seychelles	-	116,999
	Interest receivable	27,270,655	27,493,332
	Rental income receivable	2,951,153	5,882,904
	Advance payment on capital projects	118,160	4,176,802
	Prepayments	892,759	3,423,626
	Other receivables	9,699,014	12,126,202
		73,327,280	81,080,344
		2019	2018
		SCR	SCR
ii)	Rental income receivable	5,524,846	10,464,611
	Provision for bad and doubtful debts (Note f)	(2,573,693)	(4,581,707)
	Net rent receivable	2,951,153	5,882,904
The provision for bad and doubtful debts is as follows:			
		2019	2018
		SCR	SCR
	Opening balance January 1	4,581,707	5,174,077
	Movement-Increase in provision	-	(1,041,128)
	Movement-Write-off	(2,008,014)	-
	Adjustment	-	448,758
	Closing balance December 31	2,573,693	4,581,707

- (a) The carrying amount of trade and other receivables are denominated in Seychelles rupees and approximate their fair value.
- The contributions receivable from members are contributions for December 2019 due on the 21st day of January 2020 and other contribution in arrears.
- (c) The amount receivable from Government of Seychelles represents government pension (Special Pension/Entitlement and Early Retirement) which the SPF paid to its members on behalf of and refundable by the Government of Seychelles.
- (d) Rental income receivable represents outstanding rent from tenants of which around SCR 0.9m was collected in January 2020, SCR 1.6m are cases at the Rent Board, includes impairments as per IFRS 9.
- (e) Other receivables comprise of sundry debtors, staff loan and debtors clearing.
- (f) A new policy for Provision for bad debts was approved by the Board in January 2019 for implementation in 2018. The calculation is based as per IFRS 9 whereby the expected credit losses are determined based on current data and adjusted using a macro-economic factor, in this case, the inflation rate at the end of 2019 which was 1.70%. Full provision for bad debts have been provided for total debts in excess of 90 debtor days and non active tenants as per the policy. However, management decided to maintain the existing provision after write-off.
- (g) The Fund does not hold any collateral as security.
- (h) Interest receivable includes interest receivable from Fixed Deposit, Treasury Bill and Treasury Bonds and PMC loan.

15. RECEIVABLE FROM PROPERTY MANAGEMENT CORPORATION (PMC)

		2019	2018
		SCR	SCR
	Opening balance	138,757,438	-
	Additions-Disbursement	-	150,000,000
	Total repayment	(25,182,785)	(18,611,654)
	Interest receivable (Note 24)	10,395,971	7,369,092
		123,970,625	138,757,438
	Current	15,934,566	14,786,813
	Non-Current	108,036,059	123,970,625
		123,970,625	138,757,438

The amount receivable from Government PMC loan, represents the loan disbursed to Government of Seychelles for housing projects undertaken by Government of Seychelles.

16. OTHER PAYABLES

		2019	2018
		SCR	SCR
	Rental deposits	10,470,992	10,144,970
	Advance on rent	5,690,522	4,411,061
	Accrued expenses	4,333,567	7,018,027
	Account payable-Apartment project	6,695,258	-
	Account payable-C & W	203,910,000	-
	Other payables	1,364,738	111,183
		232,465,077	21,685,241

- (a) The carrying amount of other payables are denominated in Seychelles rupees and approximate their fair value.
- (b) Other payables are denominated in Seychelles rupees and it includes pension payments returned due to incorrect bank accounts/details of the pensioners/members.

SEYCHELLES PENSION FUND

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31st DECEMBER 2019

17. RETIREMENT BENEFIT OBLIGATIONS

Retirement benefit obligations is in respect of length-of-service compensation as per the Seychelles Employment Act 1995 as amended.

(i) Amount recognised in the statement of financial position:

	2019	2018
	SCR	SCR
Present value of unfunded obligation	7,238,580	6,231,559

(iii) Movement in liability recognised in statement of financial position:

	2019	2018
	SCR	SCR
At January 01,	6,231,559	4,741,028
Charge for the year	1,007,021	1,490,531
At December 31,	7,238,580	6,231,559

The retirement benefit obligation has not been valued by an actuary since the management decide that had it been valued by actuary the impact is not material.

18. DEFERRED PROPERTY LEASE

	2019	2018
Cost		
At 1 January 2019	7,846,750	7,846,750
Additions	-	-
Disposal	-	-
At 31 December 2019	7,846,750	7,846,750
Amortisation and Impairment		
At 1 January 2019	1,102,676	993,996
Charge for the year	108,680	108,680
Disposal	-	-
At 31 December 2019	1,211,356	1,102,676
Carrying amount		
At 1 January 2019	6,744,074	6,852,754
At 31 December 2019	6,635,395	6,744,074

The leasehold land was originally accounted for at SCR 1, the value at which it was transferred from the Government of Seychelles, this value has been restated to fair value at the time of acquisition. The leasehold properties are Providence Micro Enterprise, Providence Warehouse, Port- Glaud Micro Enterprise, Eve Island Enterprise. The benefit received from Government is being taken to Income over the life of the underlying assets (60 - 99 years).

19. Valuation of net assets against actuarial value of promised retirement benefits

As per the actuary valuation the accrued benefits are separated between vested and non vested benefits. The vested benefits are the present value of all expected future payments to current pensioners and future spouses' pension on the death of current pensioners. Non vested benefit is the measure of the value of the amount standing in member accounts at valuation date. The Actuary has confirmed that adjustments are needed in contribution rates in the future as per his recommendations. Seychelles Pension Fund will be able to meet all benefit obligations in the future if this is followed as Seychelles Pension Fund operates a 'pay-as-you-go' pension plan. Actuarial evaluation is done for the next 60 years.

20. MEMBERS' FUND

Member's fund represents the balance due to members who have contributed to the Seychelles Pension Fund (which also includes the Seychelles Pension Scheme from 1991). This includes mandatory and voluntary contributions from employer and employee and contributions from self-employed with accumulated interest over the years. The members fund is used to finance pension payment on a monthly basis and lump sum refunds for members not qualifying for a monthly pension. The total funds accumulated under members' fund is as follows:

	2019	2018
	SCR	SCR
Net members fund	1,645,446,896	1,521,918,474
Funds taken from investment returns	1,053,990,290	782,876,497
Members fund	2,699,437,186	2,304,794,971
Details of members fund are as follows;		
Mandatory contribution	2,058,954,122	1,692,661,970
Voluntary contribution	104,880,196	85,345,469
Interest on mandatory contributions	512,695,638	505,304,646
Interest on voluntary contributions	22,907,230	21,482,887
	2,699,437,186	2,304,794,971

21. OTHER FUNDS

	2019	2018
	SCR	SCR
Contributions from Social Security Division (note (a) below)	532,099,144	532,099,144
Payments made for Social Security Pension	(520,395,209)	(520,395,209)
	11,703,935	11,703,935
Net contributions from Social Security carried forward	11,703,935	11,703,935
Receipts from National Provident Fund (note (b) below)	71,215,276	71,215,276
SSF Investment Funds transferred to SPF	406,870,976	406,870,976
SPF contribution from Govt (note (c) below)	43,489,567	43,489,567
At 31 December	533,279,754	533,279,754

SEYCHELLES PENSION FUND

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31st DECEMBER 2019

21. OTHER FUNDS (CONTINUED)

- (a) The National Provident Fund Act was repealed and after refunding the contributions to the persons entitled under the Act, the balance was transferred to Seychelles Pension Fund as required under Section 73(2) of the Seychelles Pension Fund Act, 2005.

22. RESERVE FUND

	2019	2018
	SCR	SCR
Reserve Fund	14,568,591	14,568,591

The Chief Executive Officer, acting on the advice of the Board of Trustees, has not made any annual transfer which up to the year 2006 on the amount set aside which was 30% of the difference between the interest earned by Seychelles Pension Fund and the interest paid to the members. This is a contingency fund set aside which can be used to meet the cost of pensions or interest paid to members in the event of a shortfall.

The transfer to the Reserve Fund was made in order to increase the distributable reserve.

23. OTHER RESERVES

	2019			2018	
	Revaluation reserve	Fair value reserve	Other reserves	Total	Total
	SCR	SCR	SCR	SCR	SCR
At January 1,	76,988,431	18,956,162	55,445,682	151,390,275	143,830,090
Net change in FV of properties	-	2,535,894	-	2,535,894	7,560,185
At December 31,	76,988,431	21,492,056	55,445,682	153,926,169	151,390,274

24. INTEREST INCOME

	2019	2018
	SCR	SCR
<i>Interest income under the effective interest method on:</i>		
- Fixed deposits - at amortised cost	16,702,931	15,238,968
- Treasury bonds and bills - at amortised cost	22,930,552	20,866,925
- Equity securities	195,410	230,997
- Bank balances	85,018	59,648
- Staff loans	410,574	336,110
- Loan to PMC	10,395,971	7,369,092
	50,720,458	44,101,740

SEYCHELLES PENSION FUND

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31st DECEMBER 2019

25 INVESTMENT INCOME

	2019	2018
	SCR	SCR
Dividends on local securities	13,985,292	7,976,323
Dividends on foreign securities	6,556,006	6,067,116
	20,541,298	14,043,439

Dividend income is recognised in the financial statements when their right to be received is firmly established.

26. INTEREST CREDITED TO MEMBERS

Interest credited to Members' Fund was 4.81% and 5.99% for mandatory and voluntary respectively from 01.01.2019 to 30.03.2019. From 01.04.2019 to 31.12.2019 as per the new Interest Policy approved by the Board, the interest was revised to 2.72% on mandatory contributions and 5.99% on voluntary contributions. The new interest policy effective 01.04.2019 calculate the interest rate to be credited to non-vested members who can withdraw lump sum amounts from their account since they do not qualify for a pension based on the 12 months average saving rate. Prior policy was based on the 12 months average interest rate on 91days Treasury bills. The amount of SCR 47m was credited for the year ended December 31, 2019 (2018: Mandatory 2.5% and 4.81, Voluntary 5.99% - SR38m).

27. ADMINISTRATIVE EXPENSES

	2019	2018
	SCR	SCR
Salaries, wages and other related expenses	34,452,641	31,363,661
Office running costs	4,966,488	4,447,210
Motor vehicles running expenses	541,148	441,772
Postage, printing and stationary	1,319,349	1,387,208
Telephone	1,329,240	1,398,123
Utilities	648,216	618,834
Repairs and maintenance	363,508	959,656
Other expenses	4,120,419	3,850,135
	47,741,010	44,466,598

Details of other expenses includes;

	2019	2018
	SCR	SCR
Internet Charges	966,011	880,781
Rent- Caravelle House (includes prior year adjustment in 2018)	1,466,135	1,702,235
Rent- Jupiter House	283,285	12,500
Cleaning	241,443	204,197
Board of Trustees fees	876,000	888,540
Medical Board fees	246,240	133,248
Office consumables	41,305	28,634
Total	4,120,419	3,850,135

Details of Office running cost includes;

	2019	2018
	SCR	SCR
Training	2,247,046	1,803,274
Uniforms	392,131	655,639
Travelling	721,341	579,342
Staff Welfare	894,253	492,172
Staff Insurance	9,852	-
Journals And Newspaper	26,640	121,540
Bank Charges	666,134	469,556
Miscellaneous Expense	9,092	325,687
	4,966,488	4,447,210

28. OTHER PROFESSIONAL FEES

It includes the fee paid to IT audit, Actuary valuation and the Administration and Investment audit performed by KPMG.

SEYCHELLES PENSION FUND
NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31st DECEMBER 2019

29. RELATED PARTY TRANSACTIONS

	2019	2018
	SCR	SCR
<i>Balances owing from related parties:</i>		
<i>Other related parties</i>		
Government of Seychelles	1,781,474	3,017,189
Receivable from PMC loan	123,970,625	138,757,438
<i>Transactions</i>		
<i>Dividends received</i>		
Opportunity Investment Company Limited	757,327	564,170
Seychelles Breweries Limited	12,429,773	6,629,212
<i>Rental received:</i>		
Government of Seychelles	60,025,889	57,257,215
<i>Key management personnel</i>		
- Gross salaries	1,893,600	2,665,200
Board of Trustees' remuneration (note 30)	948,000	912,000

- (a) Transactions with related parties are within the normal course of business.
- (b) For the year ended December 31, 2019, the Fund has not recorded any impairment of receivables relating to amounts owed by related parties (2018: Nil). This assessment is undertaken at the end of each financial year through examining the financial position of the related party and the market in which the latter operates.

30. BOARD OF TRUSTEES' REMUNERATION AND SECRETARIAT EXPENSES

	2019	2018
	SCR	SCR
J. Dugasse (From 18th September 2018)	96,000	30,000
E. Palmer (From 1st March 2018 to 17th September 2018)	-	45,000
P Payet	72,000	75,000
L. Woodcock	-	6,000
W Labrosse	-	6,000
A Lucas	-	6,000
C Mangroo	72,000	72,000
R Valmont	72,000	60,000
B Morin (From 1st March 2018)	66,000	60,000
C Vidot (From 1st March 2018)	72,000	60,000
P Sinon (From 1st March 2018)	72,000	60,000
A Madeleine (From February 1, 2017)	-	6,000
M C Marie (From August 1, 2017)	72,000	72,000
B Adonis (from February 1, 2015)	72,000	72,000
E Agathine (from February 1, 2015)	-	6,000
A Robinson (from February 1, 2015)	72,000	72,000
M Jivan (from February 1, 2015)	66,000	72,000
Elsie Morel (From 1st March 2018)	72,000	60,000
Secretariat		
Audrey Nanon (From May 1, 2017) Secretary)	72,000	72,000
	948,000	912,000

31. COMMITMENTS

Capital commitments

	2019	2018
	SCR'000	SCR'000
Approved and contracted for	155,941	224,974
Approved but not contracted for	348,419	52,665
	504,360	277,639

32. CONTINGENT LIABILITIES

- (i) In January 2019, Central Bank Of Seychelles demanded SPF to pay the sum of SCR10.3m as compensation for damages done to CBS annex Building while SPF was doing their piling project at ex- Pirates Arms site. In March 2019 the details of this costing was sought by SPF and Central Bank Of Seychelles clarified that it comprised of SCR 1m for demolition, SCR 7m for rebuilding the annex and SCR 2.3m for electrical and other fittings. SPF's Board approved for CBS to be paid in 2 instalments, 30% on CBS writing to Planning Authority to remove the 'Stop Notice' and the remaining 70% upon complete demolition by CBS to be done by 30 April, 2020. No payments were made in 2019, as the first instalment is due in 2020, on CBS informing Planning Authority.

- (ii) Seychelles Pension Fund Act 2005 Section (69) states that SPF is exempted from stamp duty, business tax, trades tax, goods and service tax and all other taxes, fees, duties on its assets, documents instruments, profits, operations and properties. Thus Seychelles Pension Fund strongly believed that it should be exempt from VAT as it was a replacement of GST, even if specific exemption had not yet been enacted in the VAT Act. After lengthy discussions and negotiations with Government, SPF was informed in October 2019 that SPF needs to pay VAT effective from 1st January 2020. This has been confirmed with our Certificate of VAT Registration issued under section 8 (3) of the Value Added Tax (VAT) Act 2010, received by SPF and displayed as required under the law. This means that SPF owes no VAT prior to 2020.

33. EVENTS AFTER REPORTING PERIOD

There is no event subsequent to the date of statement of financial position which may have a material effect on the Financial Statements as at December 31, 2019.

CHAPTER 5 | OTHER AUDIT REPORTS

5.1 Report from Head of Internal Audit

The Internal audit function of SPF reports functionally to the Audit Committee of the Board of Trustees, and administratively to the CEO of SPF. The section consists of 3 staff; a Head of Internal Audit, an Internal Audit Manager, and an Internal Auditor. The section has initiated the process of recruitment of an IT Audit Manager, but no suitable/certified candidates were identified, and the position thus remains vacant.

The Head of Internal Audit is CIA (Certified Internal Auditor) qualified, while the other team members are pursuing the CIA certification with support from the CEO and the Board.

During 2019, a strategic internal audit plan, and an annual internal audit plan were prepared, based on the Risk Register of SPF. An internal risk assessment of the internal audit function with input from the Audit Committee and the CEO was also undertaken.

An internal audit manual has been drafted and is being implemented. A separate quality assurance and improvement program is also in place, undertaken by a Quality Assurance Analyst in the Risk Section. During the year, the internal audit process has been automated with the procurement of the On-spring software.

The following audits from the annual internal audit plan were performed:

1. Governance;
2. Succession planning;
3. Processing section and contributions;
4. Benefits section;
5. Property Management section;
6. Contractor payments;
7. Reporting;
8. Finance section;
9. Compliance section;

Following up on issues raised during the audits, out of 25 recommendations with deadlines for implementation until 31st of December 2019, 24 have been implemented, or 96%.

Internal audit staff training

The following training were conducted:

1. International standards for internal auditing (internal training);
2. Operational auditing – influencing positive change (internal training);
3. Audit report writing (internal training);
4. Operational auditing – evaluating sourcing and procurement (internal training);
5. Audit manager tools and techniques (internal training);
6. Presentation skills (internal training);
7. COSO internal control framework (internal training);
8. Preparation for Certified Internal auditor exam part 1 (internal training);
9. Preparation for Certified internal auditor exam part 2 (internal training);
10. IT security awareness;
11. Anti-Money Laundering awareness;
12. IT audit and performance audit.

5.2 Report from the Audit Committee

a) The Audit Committee's Annual Assurance Report is part of the overall internal control arrangements and risk management process of SPF.

The Audit Committee confirms that, during the financial year under review, it has complied with its responsibilities as contained in the Terms of Reference, approved by the Board of Trustees.

The Audit Committee also reports that it has regulated its affairs in compliance with the Audit Committee Charter.

This report provides with independent reasonable assurance that SPF has in place adequate and effective governance, risk management and internal control frameworks; internal and external audit functions and financial reporting arrangements that can be relied on, that contribute to the high corporate governance standards that the Board of Trustees through its Audit Committee, expects and maintains consistently.

The Head of Audit has also offered reasonable assurance in a separate annual report, that SPF's framework for governance, risk management and internal control is sound and working effectively, but some areas require compliance with or improvement to internal controls, for SPF to achieve its objectives.

During the year, in the conduct of its duties, the Audit Committee has:

- Certified the independence of the Internal auditor and the External auditor.
- Objectively reviewed and evaluated the adequacy of the internal control environment and found that there have been improvements in the level of assurances for the internal control and that there were effective arrangements for the prevention and detection of fraud and corruption
- Approved a detailed Internal Audit work plan for the year.
- Confirmed that the Financial Statements reflected SPF's true position, were complete, included all transactions, and were prepared in accordance with International Financial Reporting Standards.
- Formed the opinion that, based on the information and explanation given by the management of SPF and the Internal Auditors, as well as discussions with the independent external auditors on the results of their audits, that the internal accounting controls were adequate to ensure that the financial records could be relied upon when preparing the financial statements, and accountability for assets and liabilities has been maintained.
- Evaluated the financial statements of SPF for the period under review and recommended the adoption of the Annual Financial Statements to the Board of Trustees
- Established that nothing significant has come to the attention of the Audit Committee to indicate that any material breakdown in the functioning of these controls, procedures and systems has occurred during 2019.
- Been satisfied that the risk management and assurance framework was fit for purpose and operating as intended, as SPF's risks and its mitigation processes were presented to the Audit Committee every quarter, as part of its monitoring and oversight role with regards to the implementation and impact of the risk management policy
- Confirmed that there were reasonable arrangements for corporate governance and where improvements were required, there was a clear improvement plan with dedicated lead officers.
- Confirmed that there were effective arrangements in place to support Value for Money.
- Approved, evaluated and is satisfied with the improvement plans as a result of the special audits that were conducted on behalf of the Board of Trustees on SPF's administrative and property costs, investment costs and organization's structure.

b) The benefits to SPF, of operating an effective Audit Committee are:

- Maintaining public confidence in the objectivity and fairness of financial and other reporting.
- Reinforcing the importance and independence of internal and external audit and other reviews.
- Providing a sharp focus on financial reporting both during the year and at year end, leading to increased confidence in the objectivity and fairness of the financial reporting process.
- Assisting the co-ordination of sources of assurance and, in so doing, making management more accountable and transparent.
- Providing additional assurance through a process of independent and objective review.
- Raising awareness within SPF of the need for governance, internal control and the need to improve, based on audit recommendations.
- Providing assurances to the Board of Trustees, on SPF's governance, risk management and reducing the risk of illegal or improper acts
- Providing a perspective on the overall value for money for all procurement of goods and services.

c) Audit Committee Membership and Dates of Meetings

Membership of the Audit Committee for 2019 was made up of the following Trustees:

Brenda Morin Chairperson (January 2019 to November 2019)

Celia Mangroo (January 2019 to December 2019)

Malika Jivan (January 2019 to November 2019)

d) Meetings of the Committee have been held on:

17th January 2019;
28th February 2019;
14th March 2019;
6th June 2019;
18th October 2019

e) Members of the Audit Committee will remain focused in the next year, on areas critical to SPF such as the internal control environment in respect of procurement and pension payments, achieving planned income levels and ensuring all high risks are mitigated immediately.

5.3 Audit findings from independent audits

a) Summary of the audit findings from KPMG Mauritius for the audit conducted on investments

KPMG Audit	
1. Investment policy	Action taken/To be taken
Update the investment policy to address the gaps identified	Updating the Investment Policy to fill in the highlighted gaps are being addressed, and SPF with guidance from the World Bank Treasury, through the Reserves Advisory and Management Program (RAMP), a consultant will try and meet international standard on a new Investment policy. This will strengthen the investment management framework in 2020, with a new Investment Policy and a revised Investment strategy.
2. Portfolio return calculation	
Update Portfolio Return calculation model to address weaknesses identified (foreign exchange gains and losses, capital gain and losses, opening value and the weighted portfolio return)	Total returns calculation in 2019 took into consideration all the proposed changes. Furthermore, through RAMP, SPF will be building its capacity to ensure that the portfolio return rightly captures all the complex variables in line with international best practices. In addition, SPF will formulate a new capitalization policy.
3. Portfolio allocation	
Concentration within certain asset classes mainly in Real Estate poses a risk for SPF although it is noted that SPF already has a plan. SPF could consider investments in REITS as an alternative option.	In 2018 SPF drafted and implemented its Investment strategy for the short-term, medium-term and the long-term that focused on reducing asset allocation in the Real Estate sector to 45% in the medium term and in the long-term to reduce to 35%. SPF is looking at investments in REITS next years as recommended. For investments in equities, the strategy is to increase to 30% in the long term. In 2019, equities have already reached 27% in one year. The Investment strategy will also be reviewed by the World Bank.
4. Valuation process	
SPF should consider to work with a pool of Quantity Surveyors for property valuations and not just one QS.	In 2018 SPF drafted and implemented a new Valuation Policy for all of its properties which appointed only one QS for all valuations because SPF used a pool of QS in the past and average valuation was distorted in the process. The Valuation Policy will be reviewed in the coming year considering that there are few experienced and qualified QS who can value properties.

b) Summary of the audit findings from KPMG Mauritius for the audit conducted on administration and property costs

Action points	Source document to change:	By whom	Target date	Control action	Status
Administration costs					
Procurement policy					
Amend the SPF procurement policy to address weaknesses identified in its design	Procurement policy	CFO / Finance Manager	01-Dec	A revised Procurement policy was approved by the Board and has been implemented in December	Completed
Matters to be covered in the policy include, but not limited to:					
<i>Credit card payments, Emergency Purchase Orders, Contract Maintenance and Services</i>					
<i>Authorisation of POs up to SCR 5,000</i>					
<i>Responsible parties for receipting of administration and property management purchases</i>					
<i>Pre-approved departures from the current procurement policy, i.e. "Exceptions to normal procedure"</i>					
<i>Exceptions to competitive testing needs to be addressed (i) additional work awarded to existing contractor/supplier and (ii) payment above SCR20,000 (iii) petty cash payments</i>					
Checklist					
SPF should implement a checklist to ensure that all necessary documents are in order before processing payments	New check-list document to be introduced and included in Procurement policy	CFO / Finance Manager	01-Dec	Implementation commenced	Ongoing
Rectify mapping issue and correct classification of the exchange gains/losses on MS Excel Trial Balance	TB mapping and classification code	CFO / Finance Manager	01-Dec	TB Adjusted	Completed
Increasing Administration costs -From 2014 to 2018, the administrative cost base of SPF increased from SCR 21.3m to SCR 44.5m. As a percentage of gross revenue, the cost margin has increased from 11.86% to 15.77%. As a percentage of revenue excluding rental income, the margin has increased from 10% to 22%. In our analysis of the Administrative cost base, this is explained by an increase in Salaries and Wages of SCR 18m to SCR 32.25m during the FY14-FY18 period. Headcount increases over the years (from 70 to 125) explain SCR 7.2m of the increase. The remaining increase resulted from mandatory changes in salary decreed by the government in 2014, an upward revision in marketable allowance to compensate qualifications, the implementation of a new salary grid in 2016, the introduction of a five-digit salary scheme in 2017 for staff with over 10 years at SPF and the introduction of Chief Officer positions in 2018.	HR Policy reviewed and new structure being introduced from 2020	GMCS	Jan-20	Board acknowledged the reasons for the increase which were mostly in personal emoluments with staff increases due to SPF expanding its services with higher collections in contributions and increasing pension payments. KPI set by the Board for Administrative costs to be below SCR1100 in 2020	Completed



CHAPTER 6 | ACTUARIAL VALUATION



a) Introduction

As stipulated by the SPF Act 2005, every 3 years SPF must undertake an actuarial valuation of its assets and liabilities and determine the funding level by reviewing contribution rates and other factors necessary for the sustainability of SPF.

The full triennial valuation of the Seychelles Pension Fund was carried out as at 31st December 2018 in accordance with the SPF Act.

A new Actuary, BBL World Actuaries represented by Mr. George Langis was appointed in 2018 and undertook the Actuarial valuation in 2019 for the period 2016 to 2018.

The Actuary emphasized to SPF that the actuarial valuation is not a prediction but rather a best estimate scenario that is reasonable and consistent.

The Actuarial valuation concluded that the current funding ratio of SPF was at 18%, meaning SPF can pay only 18% of all its future liabilities, at the current rate of contribution of 6%.

This has been considered as good when comparing it to Canada pension scheme which is rated to be one of the best in the world, with a funding ratio of 24%.

SPF has also been labeled as a “YOLD” pension scheme, young and old, because it’s been only 13 years old since it was established and yet we are calculating and paying pension after considering 41 years. of employment history from 1979 of every member.

b) Methodology

The methodology used was based on a model for reviewing the long-term actuarial and financial status of SPF and adjusted with the particularities of SPF with a set of assumptions underlying the valuation.

c) Recommendations

The Actuary recommended the following:

- Adoption of a funding policy that will set the financing parameters surrounding the actuarial valuation and give tools to maintain the financial sustainability of SPF such as targeted level of reserves, automatic adjustment mechanisms to equilibrate the scheme, equity between generations, etc.
- Future increases in the contribution rates will be based on this funding policy. to be implemented from 2021 onwards. The funding policy will be formulated jointly by SPF and the Actuary in the first half of 2020.

CHAPTER 7 | THE WAY FORWARD



Seychelles Pension Fund

a) Introduction

Amidst all the challenges of operating in a small island developing state, we have managed to maintain a steady and continuous level of success in terms of our operations, our products and services we provide.

The last 13 years of operations of SPF have firmly established our foundation and a lot has been achieved during the period. The most important being the institutionalisation of benefits and contributing towards alleviating old age poverty. Foundations laid, we now strive to remain robust in our governance.

Although we are delighted to have achieved some substantial milestones in 2019, going forward, we cannot, however, be complacent of the past years' achievements. There remains much more to be done and another exciting year lies ahead for SPF.

b) Sustainability

The sustainability issue confronting defined benefit scheme is a global problem and it stands true for SPF as well. As a partially funded Pay-as-you go Scheme, one of the many challenges we may face, in the years to come is whether, the current asset base will be adequate to cover accrued pension liabilities.

The development of a Funding policy as recommended by our Actuary with possible automatic adjustment mechanisms will also be a key instrument in ensuring our long-term solvency and protecting us against certain risks. SPF will be formulating such a funding policy in 2020 with the help of the Actuary, and we will begin implementing from 2020 onwards.

c) Investments

The domestic investment environment has limited investment opportunities. With the capital market still in its nascent stage of development, the search for viable investment avenues is a priority.

As strategy, the institution intends to invest more in infrastructure projects, with greater focus on "Environment, Social and Governance" criteria. To achieve the objective, SPF should further avail itself for partnerships with both Government and the private sector community.

SPF is also wary of its high exposure to the domestic economy. This carries risks and potential challenges, if unhedged. As another strategy, the institution decided to increase its holdings on foreign assets. More resources will be channeled into this area, to build capacity and ensure that the process is seamless.

d) Coverage

The aim of SPF is to cover all Seychellois in employment, specifically our self-employed citizens for which coverage remains low. This informal sector coverage is a universal problem for most pension funds. At SPF, we have tried to capture some groups like fisherman and artisans, and our work continues with farmers and musicians in the coming year through our programme called **#protectingyou**.

e) Communication and delivering enhanced quality services

SPF prides itself on delivering communications of a high standard. While this is increasingly challenging in view of misunderstandings and misinterpretations of published information, we remain agile and be responsive to change this negative perception.

The pension landscape is evolving and as we transform, we will continuously adapt and improve our services. We will further improve the member experience with additional online services as well as quality enhancements to frontline service. As successful as we are with voluntary contributions, our aim is to educate and engage all our members, stakeholders and the general public on their pensions too.

f) Risk Management

In our line of activity, risks are inevitable. However, we remain confident in the strength of our governance structure, risk management framework and the ability of our people to adapt to the changes in the pension landscape. We will continuously strengthen our core risk management capabilities, to fully achieve a culture of risk awareness and risk mitigation.

g) Challenging our IT systems

We will continuously ensure that our IT systems and processes are secure, compliant and up to date. This means continually updating our pension administration software and ensuring independent security testing to make it robust to offer more online services and products to our customers in the years to come.

It also implies, keeping pension, tax and actuarial information current to ensure pension benefit calculations are accurate and compliant with legislation and regulations in place.

h) Our people and culture

The success of SPF is achieved through the professionalism, determination and enthusiasm of our staff. Without them it would be hard to develop the organisation and achieve our goals, and we are thankful to our employees for all that they bring to SPF.

We have invested heavily in our greatest asset, our human resources and this has guaranteed that we are equipped with highly qualified and dedicated technical staff.

During 2019, we focused on crystallizing our values together with our employees through our teambuilding activity. We strongly believe, that it is very important that everyone at SPF, not only management, works towards the same goals.

Only then, are we able to offer our members products and services that go beyond their expectations, creating shared growth. In 2020, we will further engage, empower and inspire employees.

We will continue to equip them with the tools that will support their personal development and career ambitions. We will ensure that our workforce has the knowledge, skills, competencies and experience for our organisation's needs.

i) Conclusion

Whilst a few of the challenges confronting us are highlighted above, our intention is not to paint a bleak future. The future can only be bright and the possibility of what we can do and achieve is enormous. With the right reforms and alignment of interest from all stakeholders, we are poised to take off to fulfil our vision, achieve our mission and serve our members even better in the future.



Pension system in Seychelles



ASP Pension
(Formerly SSF)

Guarantees monthly
Pension for life

Additional Pension as a
Lump Sum (optional)

Non-Contributory

Contributory

SPF Mandatory

6%

Monthly Pension
for Life

SPF Voluntary

As per your means

Additional Monthly
or Lump Sum

Monthly Benefits

Normal Retirement
Pension

Invalidity Pension

Dependent Adult with
severe disabilities Pension

Surviving Spouse
Pension

Children's Pension

Refunds

Death Refund

Non-Qualifying Refund

Migration Refund

TODAY TOMORROW TOO LATE?

**AS A SELF EMPLOYED,
SECURING YOUR RETIRMENT STARTS TODAY**

#protectingyou

