

2011

ANNUAL REPORT



VISION STATEMENT

Anguilla Social Security Board has improved the quality of life for all Anguillians by providing universal social security coverage. It is a sustainable social, economic and financial services organization with excellent service delivery by a customer-focused, knowledge-based and motivated staff; forging strategic alliances and engaging a well-informed public.

MISSION STATEMENT

Anguilla Social Security Board exists to improve the quality of life in Anguilla by providing meaningful social security to workers and beneficiaries, financial services to stakeholder institutions and socio-economic development for our community.

We will achieve this by being customer-oriented, strategy-focused and technology-driven; with competent and committed staff, high standards of corporate governance, and prudent financial management.

CORE VALUES

Accountability

Customer-focus

Teamwork

Integrity

Visionary-leadership

Excellence

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PREFACE

This report provides a review of the operations of the Board for the financial year 2011. It includes the audited consolidated Financial Statements, statistical analyses and tables with details on the overall performance of the Social Security System.

2011 PERFORMANCE HIGHLIGHTS

- Contribution income decreased by 3.8% totaling \$26.01M compared to \$27.04M in 2010.
- No Investment losses were registered.
- Net income increased significantly to \$18.1M from \$8.5M in 2010.
- Impairment loss – net recovery decreased significantly by 87.3% to \$2.8M from \$21.8M in 2010.
- Social Security Development Fund expenditure increased by 20.1% and totaled \$738,256 compared to \$614,861 in 2010.
- Reserves increased by 7.2% and stood at \$254.8M.
- Reserves of the Long-Term Benefits Branch grew, increasing by 8.1% to \$241.5M compared

2010 RECAP AT A GLANCE

- Rental Income (net) increased to \$209,239 from \$194,936 in 2009.
- Investment losses declined significantly by 37.21% to \$35,025 from \$48.058M in 2009.
- Total Income increased to \$48.1M from \$41.0M in 2009.
- Borrowing costs declined significantly by 20.03% to \$1.1M from \$1.4M in 2009.
- Social Security Development Fund expenditure totaled \$614,861 compared to \$924,469 in 2009.
- Reserves increased by 3.48% and stood at \$237.7M compared to \$229.4M in 2009.
- Reserves of the Long-Term Benefits Branch grew, increasing by 3.89% to \$223.41M compared to 214.72M in 2009.

BOARD MEMBERSHIP

Members of the Board of Directors were:

Mr. Thomas Astaphan	- Government Representative/Chairman
Mr. Alkins Rogers	- Employees' Representative/Deputy Chairman
Dr. Aidan Harrigan	- Government Representative
Pastor Victor Hugo Brooks	- Employees' Representative
Mr. Kirkley Carty	- Employers' Representative
Mr. Evans Lake	- Employers' Representative
Mr. Timothy Hodge	- Director of Social Security

Mrs. Maglan Richardson, Deputy Director, served as Board Secretary.

INVESTMENT COMMITTEE MEMBERSHIP

Membership of the Social Security Fund Investment Committee were:

Mrs. Gele Bryan, Independent Member/Chairman
Mr. Patrick Hanley, Independent Member
Dr. Aidan Harrigan, Director of Finance/Member
Mr. Timothy Hodge, Director of Social Security/Member
Mr. Thomas Astaphan, Chairman of Social Security Board/Member
Mr. Carlyle Franklin, Investment Manager of Social Security/Member

Mrs. Maglan Richardson, Deputy Director, served as Secretary to the Investment Committee.

ECONOMIC ENVIRONMENT

The Social Security System's performance is closely linked to the overall economic performance of the island. Accordingly, an overview of the economic environment in which the System operated during 2011 is presented below. The information was extracted from the country report for Anguilla in the Eastern Caribbean Central Bank's Annual Economic and Financial Review for the Financial Year ended 31st March 2012. Anguilla is a member territory of the Eastern Caribbean Central Bank.

Economic activity in Anguilla is estimated to have contracted in 2011, however, the rate of decline slowed when compared with the previous year. Preliminary estimates indicate that real GDP growth fell by 2.7% compared with a 5.6% decline in 2010. The lower rate of contraction in economic activity was largely due to a recovery in the hotels and restaurants sector and further strengthening in real estate, renting and business activity. The improvements partially offset the decline in other major sectors. Consumer prices rose by 8.6% during 2011. The central government recorded an

overall surplus on its fiscal operations, reflecting an improvement in current account position through higher revenue collections and lower expenditure. The total outstanding debt of the public sector declined during the period under review. Developments in the banking system included contractions in monetary liabilities, domestic credit net foreign assets. Declines in domestic credit reflected increases in the net deposit positions of non-financial public enterprises and the central government. Commercial bank liquidity tightened during the review period and the weighted average interest rate spread between loans and deposits widened. The balance of payment recorded an overall deficit attributable to reduction in the surplus on the capital and financial account.

Real output is expected to recover in 2012, based on a projected strengthening in key sectors such as, hotels and restaurants, construction, real estate, renting and business activities, as well as financial intermediation and transport, storage and communications. Developments in the hotels and restaurants and construction sectors will impact the magnitude and direction of activity in the allied sectors. The positive outturn for the number of stay-over visitors is estimated to continue in 2012, while the uptick in construction attributable to foreign direct investment inflows will likely strengthen during that period as well. The fiscal operations of central government are also expected to improve, buoyed by revenue increasing measures including the stabilization levy and an increase in property tax rates, coupled with expenditure restraint. Nonetheless, elevated uncertainty in the Eurozone combined with rising fuel costs ensure that risks remain firmly tilted to the downside.

HUMAN RESOURCES

The staff complement at year-end 2011 was 31 permanent employees.

Overseas Travel to Meetings/Seminars/Conferences/Workshops

- Attendance at funeral service of the mother of Chairman of the St. Kitts/Nevis Social Security Board in St. Kitts, 18th March;
- Caribbean Heads of Social Security Meeting in Dominica, 10th – 13th April;
- First International Social Security Week observance in Mexico, 25th April – 1st May;
- OECS Heads of Social Security meeting in Antigua, 30th June – 1st July;
- 6th Annual Atlantic Connections Conference in Miami, 12th – 16th July;
- The Future of Corporate Reform Public Funds Forum Conference in San Fransisco, 6th – 8th September;
- Caricom Marketing/Public Relations Seminar in Bermuda, 26th – 28th September.

STATISTICAL REVIEW

REGISTRATIONS

Employees

During the period under review, new employee registrations totaled 436, a marginal decrease of 4.2% when compared to 455 in 2010. This is the fourth year of consecutive decline in employee registrations since 2008. Registrations in 2011 brought the accumulated total of all insured persons on register to 17,863 (this include active, inactive, residents, non-residents and deceased persons), a slight increase of 2.6% from 17,408 in 2010. The highest number of new registrants continued to be among the age group 15 – 19 years. Females again dominated registrations, accounting for 50.2% (219) of the new registrants in 2011, while males accounted for 49.8% (217).

Chart 1

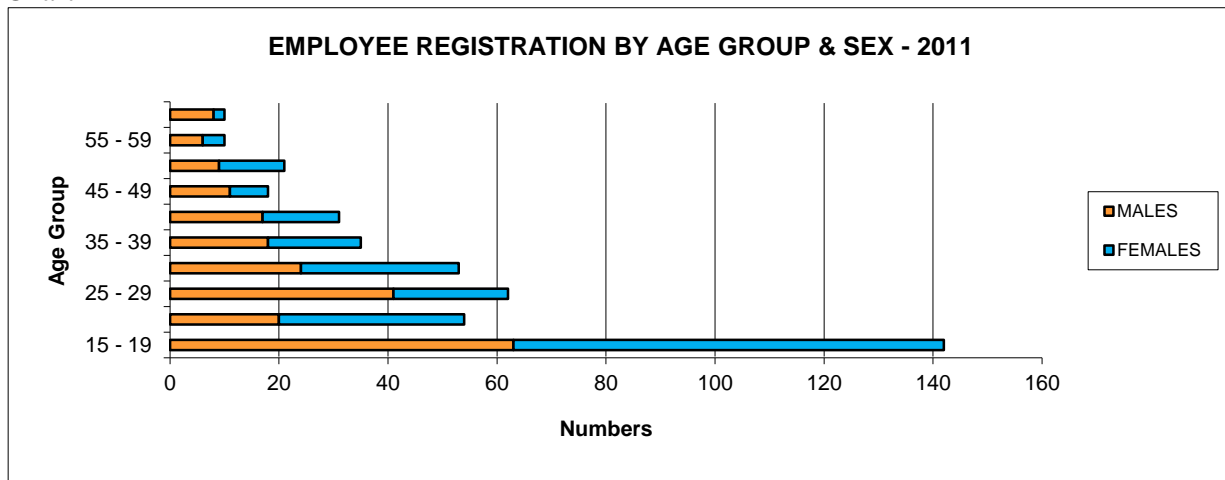
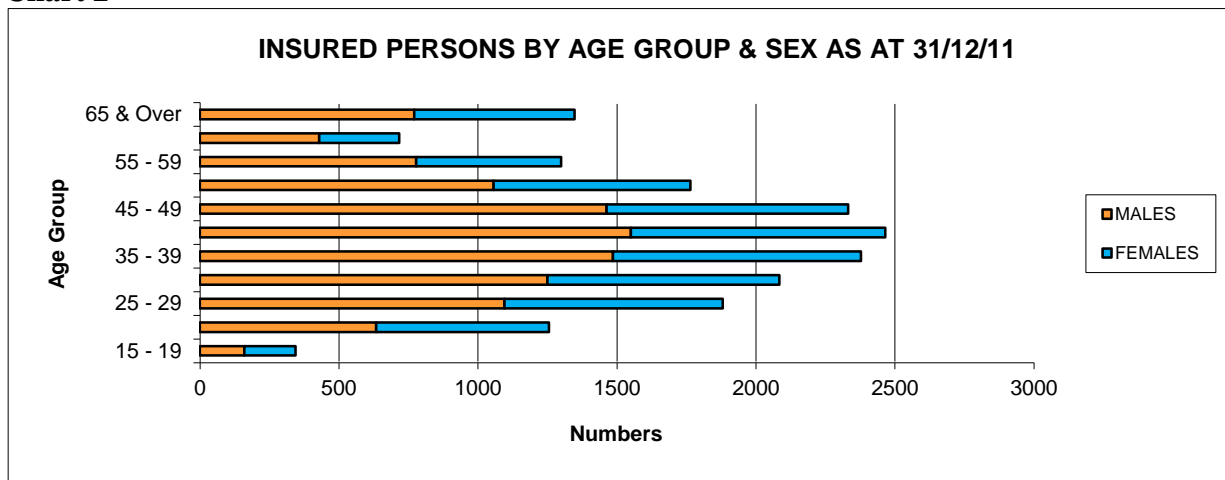


Chart 2



Employers & The Self-Employed

In 2011, employer registrations totaled 104, an increase of 23.8% when compared to a total of 84 in 2010. Likewise, new self-employed registrations increased significantly, totaling 54, compared to 18 in 2010. As a result of the new registrations, the combined and accumulated total of employers on register increased by 5.3% to 3,142 from 2,985 the previous year. Of this accumulated total, only 903 employers (28.7%) were active.

BENEFITS

The two benefit branches of Social Security are the Long-Term Benefits Branch and the Short-Term Benefits Branch. The Long-Term Benefits Branch comprises: Age, Disability and Survivors Pensions and Grants and the Non-Contributory Old Age Pension (NCOAP). The Short-Term Benefits Branch comprises Sickness Benefit, Maternity Benefit and Grant and Funeral Grant. In 2010 the decision was made to change the term “Invalidity” to that of “Disability”.

In 2011 a total of 3,512 benefit claims were received, this represented an increase of 5.2% when compared to 3,337 in 2010. Of the total claims received 2,930 were paid, 488 were rejected and 94 were pending. Short-term benefit claims totaled 3,407 accounting for 97.0% of total claims, while long-term benefit claims totaled 105, accounting for 3.0% of total claims.

Full statistical data on benefit claims can be found in Tables 7, 8, and 9 of the Statistical Digest, herein.

Chart 3

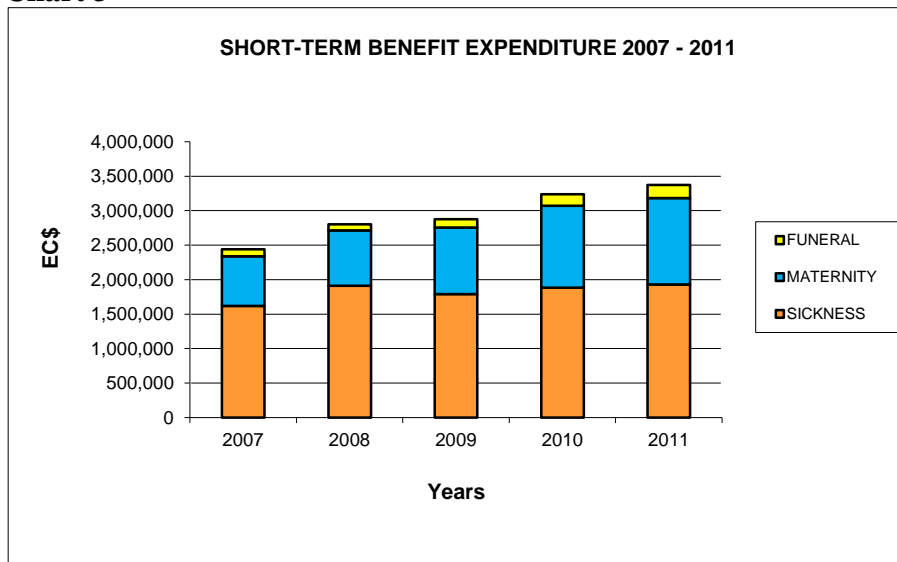
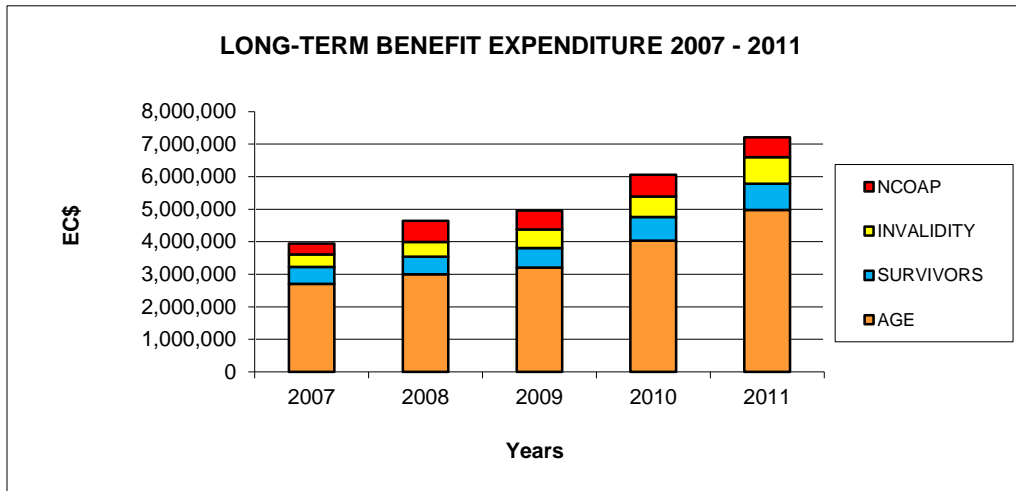


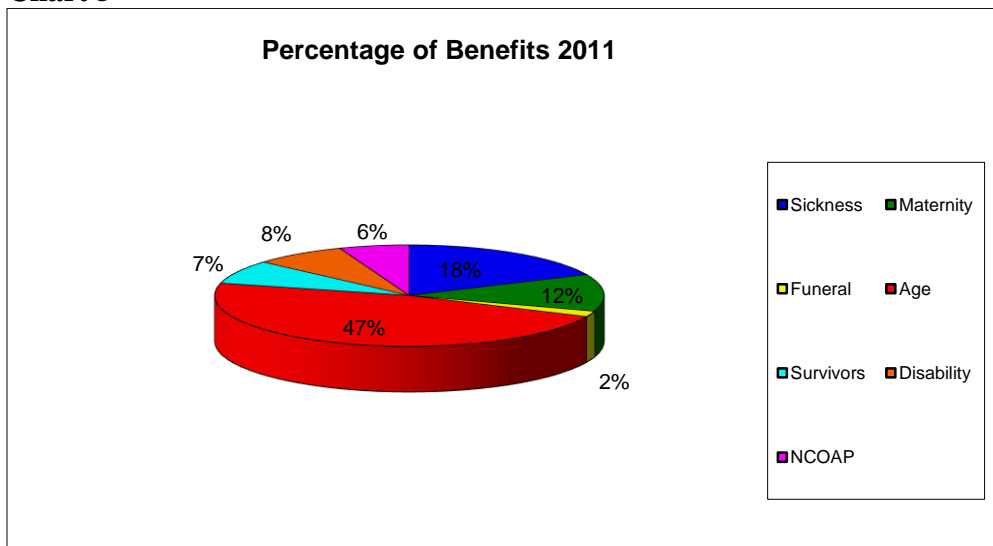
Chart 4



PENSIONS IN PAYMENT

At year-end 2011 the total number of pensioners on record was 740, an increase of 21.1% when compared to 611 in 2010. Total pensioners consisted of 394 Age Pensions, 75 Disability Pensions, 123 Non-Contributory Old Age Pensions and 148 Survivor’s Pensions. All long-term benefits are payable for the remainder of the lives of the beneficiaries, with the exception of payments to dependent children, which are payable until age 15 or 18 if the beneficiaries are still in school, and up to age 21 if they are enrolled in tertiary education.

Chart 5



FINANCIAL OPERATIONS

CONTRIBUTION INCOME

Contribution Income registered its third consecutive year of marginal decline by 3.8% to total \$26.01M, compared to \$27.04M in 2010. The decline in contributions can be attributed to the continued contraction of the local economy due to the global recession. Self-Employed contributions also decreased marginally by 3.5% to total \$218,201, compared to \$226,072 in the previous year. There were no voluntary contributions received during the period under review.

INVESTMENT INCOME

In 2011, Investment income totaled \$11.4M, a decrease of 6.4% when compared to \$12.2M during the previous year. Despite the decline in investment income, Investments portfolio performed relatively well. No investment losses were registered in the Expense Statement. Impairment Loss (net of recovery) totaled \$2.8M, a significant recovery from that of \$21.8M in 2010.

During the period under review, Net Rental Income from commercial units decreased marginally by 3.7% totaling \$201,474 compared to \$209,239 realized in 2010.

TOTAL INCOME AND NET INCOME

At year-end 2011, Total Income decreased significantly by 17.5% to \$39.7M compared to \$48.1M in 2010. Likewise, Total Expenditure also decreased significantly by 45.5% to \$21.6M compared to \$39.6M in 2010. Net Income increased significantly totaling \$18.1M compared to \$8.5M in the previous year.

Chart 6

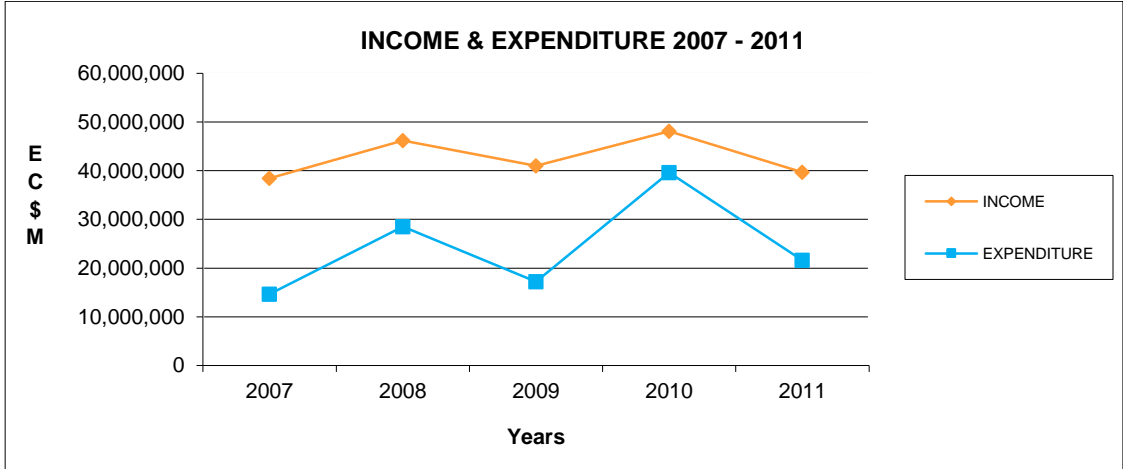
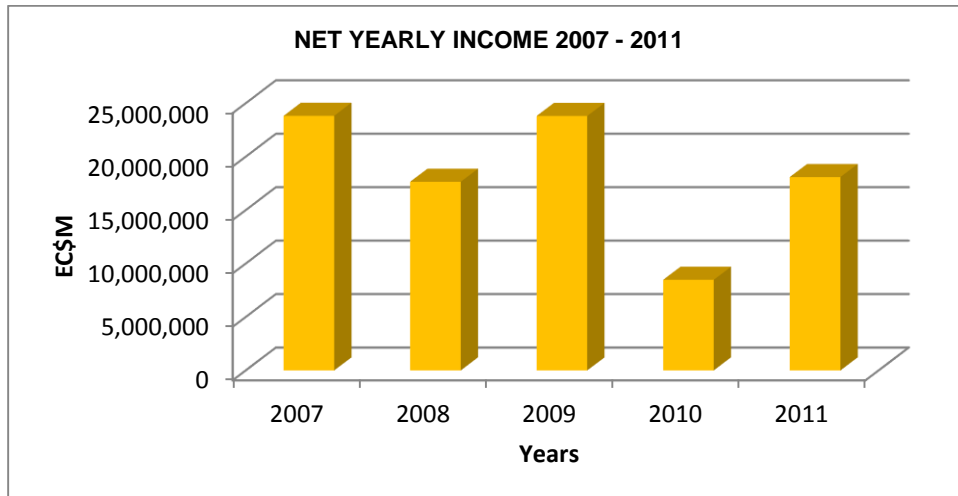


Chart 7



BENEFIT EXPENDITURE

Benefit Expenditure comprises both long-term and short-term benefits payments, with the long-term benefits accounting for the majority of the benefit expenditure. Contribution Income is distributed among the branches according to agreed percentages established by the Actuary. These allocations are 81.25% to the Long-Term Branch, 15.00% to the Short-Term Branch and 3.75% to the Social Security Development Fund.

At fiscal 2011, Benefit Expenditure continued its upward climb totaling \$10.6M, an increase of 13.8% when compared to \$9.3M the previous year. As usual, long-term benefits accounted for the larger share amounting to \$7.2M (68.2%), while short-term benefits amounted to \$3.4M (31.8%). an average annual increase of 13.24% over the last five years.

During the period under review, benefit expenditure accounted for 49.0% of total expenditure and 40.7% of contribution income; this compares with 23.5% and 34.4% respectively in 2010.

Chart 8

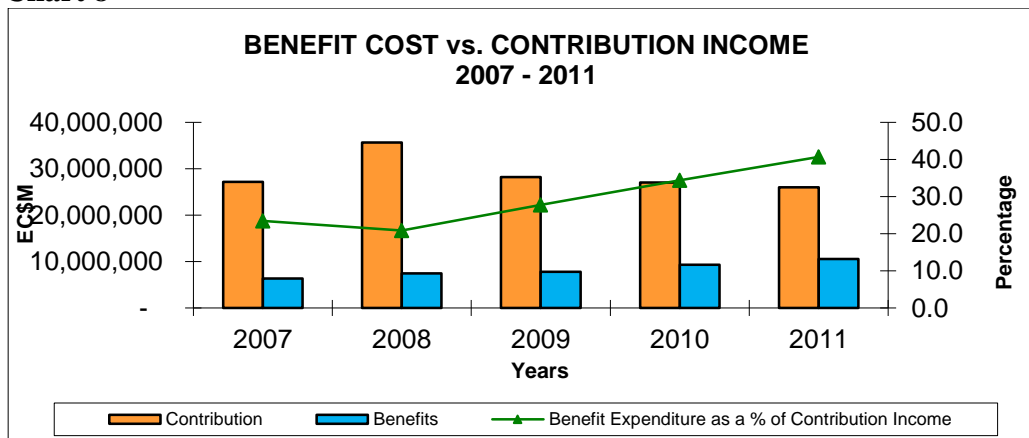
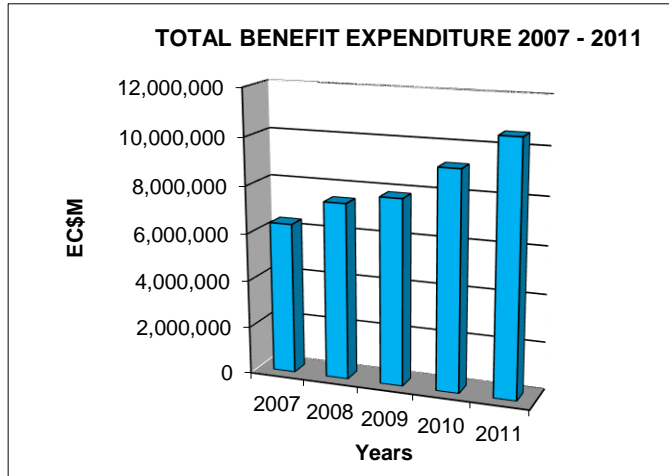


Chart 9



ADMINISTRATIVE EXPENDITURE

Administrative Expenditure at year-end 2011 totaled \$6.5M, decreasing by 4.6%, when compared to \$6.8M in 2010. In 2011, Administrative Cost was equivalent to 29.3% of Total Expenditure, 24.3% of Contributions and 17.3% of Contributions plus Benefit Expenditure; this compares to 16.7%, 24.5% and 18.2% respectively in 2010.

Chart 10

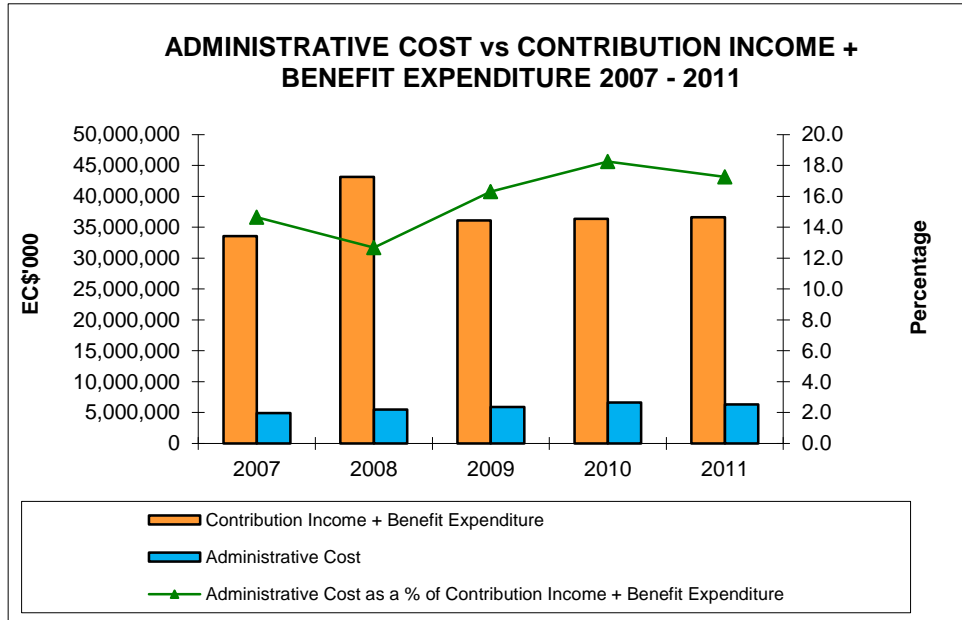
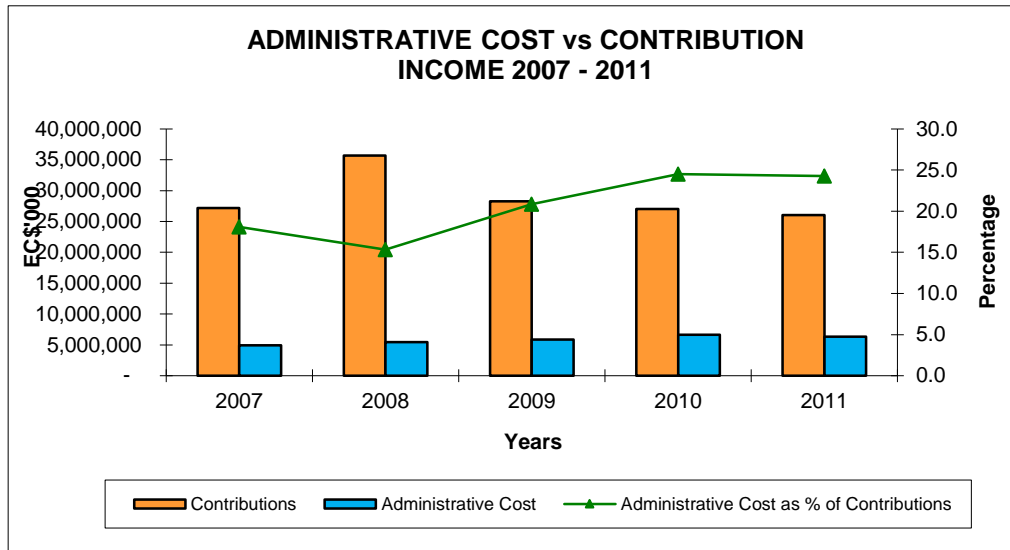


Chart 11



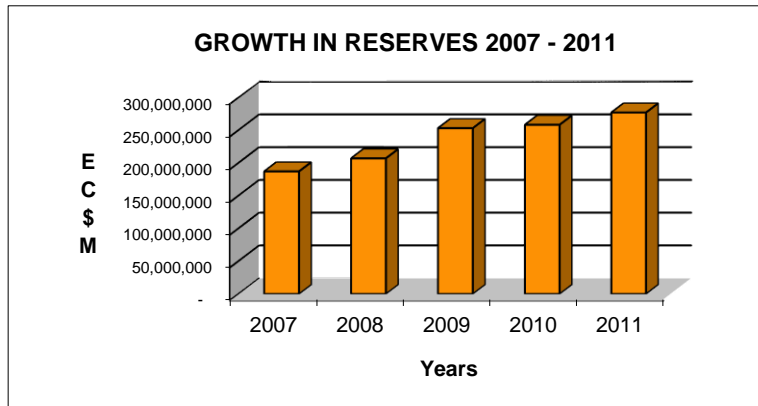
GROWTH IN RESERVES

The Social Security Fund's growth is critical to ensuring its sustainability. The Board has a fiduciary responsibility to manage the Fund in a prudent and effective manner to enable the institution to meet its mandate of paying long-term benefits well into the future.

At year-end 2011 Total Reserves stood at \$254.8M increasing by 7.2% when compared to \$237.7M in 2010; despite the continued poor economic climate. Meanwhile, Total Liabilities, Reserves and Development Fund stood at \$277.1M, an increase of 7.3% when compared to 258.3% in 2010.

Reserves of the Long-Term Benefits Branch continued its steady growth in 2011, registering an increase of 8.1% and totaling \$241.5M compared to \$223.4M in 2010. However, Reserves of the Short-Term Benefits Branch continued to decline, this time by 5.3% to total \$5.5M compared to \$5.8M in 2010. Reserves of the Social Security Development Fund increased marginally to \$1.6M from \$1.5M; likewise, the Social Security Development Fund Reserve increased to \$2.0M from \$1.8M during the period under review.

Chart 11



SOCIAL SECURITY DEVELOPMENT FUND (SSDF)

In keeping with its motto “Improving the Quality of Life for All”, the Anguilla Social Security Board continues to fulfill its social responsibility by providing funding for community developmental programmes, activities and initiatives in the fields of education, health, sports and culture. Such projects are supported from the Social Security Development Fund (SSDF). The SSDF was established in 1986 for the purpose of funding such social projects as the Board may select, subject to the prior approval of the Minister responsible for Social Security. It is funded by 3.75% of contribution income and a percentage of investment income based on the balance in the Development Fund at the end of the preceding year. In 2011 a total of \$738,256 was spent on projects, increasing significantly by 20.1% when compared to \$614,861 in 2010. An itemized listing of expenditure items can be found at Notes #22 to the Financial Statement.

STATISTICAL DIGEST

Table 1
Annual Registration of Employees by Sex - 2011

AGE GROUPS	MALES	%	FEMALES	%	TOTAL	%
15 - 19	63	14.4	79	18.1	142	32.6
20 - 24	20	4.6	34	7.8	54	12.4
25 - 29	41	9.4	21	4.8	62	14.2
30 - 34	24	5.5	29	6.7	53	12.2
35 - 39	18	4.1	17	3.9	35	8.0
40 - 44	17	3.9	14	3.2	31	7.1
45 - 49	11	2.5	7	1.6	18	4.1
50 - 54	9	2.1	12	2.8	21	4.8
55 - 59	6	1.4	4	0.9	10	2.3
60 - 64	8	1.8	2	0.5	10	2.3
TOTALS	217	49.8	219	50.2	436	100.0

Table 2
Tabulation of All Insured Persons by Sex as at 31st December 2011

AGE GROUPS	MALES	%	FEMALES	%	TOTAL	%
15 - 19	160	0.9	184	1.0	344	1.9
20 - 24	634	3.5	621	3.5	1255	7.0
25 - 29	1095	6.1	785	4.4	1880	10.5
30 - 34	1249	7.0	835	4.7	2084	11.7
35 - 39	1485	8.3	892	5.0	2377	13.3
40 - 44	1550	8.7	915	5.1	2465	13.8
45 - 49	1462	8.2	870	4.9	2332	13.1
50 - 54	1056	5.9	708	4.0	1764	9.9
55 - 59	777	4.3	522	2.9	1299	7.3
60 - 64	429	2.4	287	1.6	716	4.0
65 & Over	771	4.3	576	3.2	1347	7.5
TOTALS	10668	59.7	7195	40.3	17863	100.0

Table 3
Registration of Employees by Gender 2007 – 2011

YEAR	MALE	%	FEMALE	%	TOTAL AT YEAR-END	TOTAL ON REGISTER*	TOTAL**
2007	1,699	80.3	418	19.7	2,117	15,465	9,030
2008	1,001	75.3	337	24.7	1,338	16,974	9,449
2009	374	62.3	227	37.7	601	17,574	8,259
2010	210	46.2	245	53.8	455	17,408	6,939
2011	217	49.8	219	50.2	436	17,863	

*Figures revised

**Includes all persons who have ever registered with the System – active, inactive, deceased, pensioners, resident and overseas

Table 4
New Registration of Employers by Industry - 2011

ILO CODE	INDUSTRY	No.	%
11	Agriculture	1	1.0
33	Mftg of Food, Beverage & Tobacco	2	1.9
38	Manufacturing Fab. Mtl. Products, MH & EQ	1	1.0
41	Electricity, Gas & Steam	2	1.9
42	Water works & Supply	2	1.9
50	Construction	4	3.8
62	Retail Trade	15	14.4
63	Hotels & Guest Houses	4	3.8
64	Restaurant & Bars	10	9.6
71	Transport & Storage	5	4.8
82	Insurance	1	1.0
83	Real Estate & Business Services	7	6.7
91	Public Administration & Defense	1	1.0
92	Sanitary & Similar Services	1	1.0
93	Social & Related Community Services	4	3.8
95	Personal & Household Services	44	42.3
TOTAL		104	100.0

Table 5
Registration of Employers 2007 – 2011

YEAR	NEWLY REGISTERED EMPLOYERS	EMPLOYERS REGISTERED AT YEAR-END	ACTIVE EMPLOYERS AT YEAR-END
2007	213	2,609	1,016
2008	113	2,746	984
2009	126	2,874	916
2010	84	2,985	877
2011	104	3,142	903

Table 6
New Self-Employed Registrations by Industry - 2011

ILO CODE	INDUSTRY	No.	%
11	Agriculture	1	1.9
13	Fishing	1	1.9
31	Mft of Food, Bev. and Tobacco	2	3.7
50	Construction	9	16.7
62	Retail Trade	8	14.8
64	Restaurant & Bars	5	9.3
71	Transport & Storage	11	20.4
81	Financial Institutions	1	1.9
92	Sanitary and Similar Services	2	3.7
93	Social & Related Community Services	1	1.9
94	Recreational & Cultural Services	1	1.9
95	Personal & Household Services	9	16.7
Uncoded	Activities Not Adequately Defined	3	5.6
TOTAL		54	100.0

Table 7
Benefit Claims Received, Rejected, Pending, Paid – 2011

BENEFIT TYPE	RECEIVED	REJECTED	PENDING	PAID
Sickness	2986	478	55	2453
Maternity Grant	206	2	23	181
Maternity Benefit	175	3	9	163
Funeral	40	1		39
Total Short-Term	3407	484	87	2836
Age Pension	36		4	32
Age Grant	25	3	1	21
Survivors Pension	12			12
Survivors Grant	5			5
Disability Pension	10		1	9
Disability Grant	2			2
NCOAP	15	1	1	13
Total Long-Term	105	4	7	94
TOTAL CLAIMS	3512	488	94	2930

*Non-Contributory Old Age Pension

Table 8
Number of Benefit Claims Received by Type 2007 – 2011

BENEFIT TYPE	2007	2008	2009	2010	2011
SICKNESS	2,684	3,113	2,895	2,863	2986
MATERNITY BENEFIT	137	151	155	160	206
MATERNITY GRANTS	153	154	175	186	175
FUNERAL	36	26	42	38	40
TOTAL SHORT-TERM	3,010	3,444	3,267	3,247	3,407
AGE PENSION	23	34	34	46	36
AGE GRANT	9	7	1	12	25
SURVIVORS PENSION	21	8	16	9	12
SURVIVORS GRANT	1	0	3	1	5
INVALIDITY PENSION	9	15	11	13	10
INVALIDITY GRANT	0	12	0	2	2
NCOAP*	7		6	9	15
TOTAL LONG-TERM	70	76	71	92	105
TOTAL CLAIMS RECEIVED	3,080	3,520	3,338	3,339	3,512
% CHANGE	5.9	14.3	-5.2	0.03	5.2

Table 9
Benefit Expenditure (EC\$) by Type 2007 – 2011

BENEFIT TYPE	2007	2008	2009	2010	2011
SICKNESS	1,619,161	1,910,933	1,802,770	1,883,772	1,930,578
MATERNITY	719,797	803,384	954,643	1,187,123	1,251,377
FUNERAL	99,000	87,000	123,000	165,000	189,000
TOTAL SHORT-TERM	2,437,958	2,801,317	2,880,413	3,235,895	3,370,955
AGE	2,707,629	2,997,213	3,198,786	4,028,168	4,979,849
SURVIVORS	515,460	544,264	602,604	737,479	814,475
DISABILITY	381,497	456,057	564,975	669,845	802,688
NCOAP*	336,592	644,811	579,320	627,330	616,314
TOTAL LONG-TERM	3,941,178	4,642,345	4,945,685	6,062,822	7,213,326
TOTAL BENEFIT EXPENSE	6,379,136	7,443,662	7,826,098	9,298,717	10,584,281
% CHANGE	18.8	16.7	5.1	18.8	13.8

*Non-Contributory Old Age Pension

Table 10
Consolidated Income & Expenditure Account, 5-Year Comparative Analysis 2007 – 2011

INCOME	2007	2008	2009	2010	2011
CONTRIBUTION	27,160,458	35,695,290	28,244,524	27,038,338	26,018,719
INVESTMENT	10,679,018	9,894,984	12,027,772	12,223,661	11,443,500
OTHER (FINES & MISC.)	461,834	438,842	560,956	312,408	586,731
LEASE INCOME (NET)	154,002	144,745	194,936	854,726	1,642,012
TOTAL	38,455,312	46,173,861	41,028,188	48,121,673	39,690,962
EXPENSES					
ADMINISTRATIVE	4,914,322	5,467,143	5,885,354	6,629,674	6,317,800
BENEFITS	6,379,136	7,443,662	7,835,569	9,298,717	10,584,280
BORROWING COST			1,367,548	1,139,338	1,031,635
INVESTMENT LOSSES		10,810,248	48,058	35,025	
IMPAIRMENT LOSS - NET	2,732,080	4,166,490	1,018,022	21,762,244	2,761,866
SSDF*	521,261	541,920	924,469	614,860	738,256
OTHER	81,755	90,582	139,173	161,747	161,598
TOTAL	14,628,554	28,520,045	17,218,193	39,641,605	21,595,435
NET YEARLY INCOME	23,826,758	17,653,816	23,809,995	8,480,068	18,095,527
% CHANGE	22.9	-25.9	34.9	-64.4	114.4
RESERVES & LIABILITIES	187,087,800	207,075,923	253,138,208	258,334,264	277,071,072
FUND RATIO	6.6	12.0	6.4	12.0	12.6

CORPORATE INFORMATION

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