



CENTRALE BANK VAN CURACAO EN SINT MAARTEN

(CENTRAL BANK)

PENSION FUND
STATUTORY REPORT COMPOSITION AND
VALUATION GUIDELINES

WILLEMSTAD, March 2017

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INTRODUCTION

Company pension funds fall under the supervision of the Centrale Bank van Curaçao en Sint Maarten (the Bank) by means of the National ordinance company pension funds (NOCP) (N.G.1985, nr 44). These funds are by virtue of the stipulations in the NOCP (article 10, sub 4 and article 11, sub 2) required to annually submit statutory reports to the Bank. The Bank has in this respect developed the Statutory Reports¹ which should be used by all company pension funds for their annual filing with the Bank. The guideline, Statutory Report Composition and Valuation Guidelines' hereafter referred to as the Valuation Guidelines were developed for a proper and uniform completion of the Statutory Report. Furthermore, with the introduction of the new Statutory Reports the Bank ensures that the calculation of the funding ratio (NOCP, art 13) and investments in own company (NOCP, art 15) comply with the legal requirements.

The Statutory Reports and the Valuation Guidelines also apply to the 'Algemeen Pensioenfond's' and 'Algemeen Pensioenfond's St. Maarten' pursuant to article 21, sub 1 of the National ordinance APNA (N.G 97, 311) and article 21, sub 1 of the National Ordinance Algemeen Pensioenfond's St. Maarten (N.G. 2010, 64).

¹ The existing format has been amended to include more schedules.

GENERAL GUIDELINES

Reporting institution

This guideline contains the accounting practices and procedures prescribed by the Bank for the completion of the Statutory Report that should be submitted by all pension funds under the Bank's supervision. Pension funds subject to supervision by the Bank are listed in the register maintained by the Bank.

Accounting principles

The accounting principles as contained in this guideline follow Generally Accepted Accounting Principles (GAAP) in the Netherlands. However, considering that these reports are meant as a supervisory tool whereby for prudence purposes a more conservative approach to valuation is required, there are deviations from GAAP with respect to the valuation of certain balance sheet and profit & loss items. This document contains guidelines for the completion of all the schedules in the Statutory Report. When completing this report pension funds must also take the applicable laws and regulations into account.

Investment property/ Financial assets

These assets are valued at fair value. Fair value is the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction. The best evidence of fair value are quoted prices in an active market.

Investment property:

The fair value of land and buildings is usually determined from market-based evidence by appraisal that is normally undertaken by professionally qualified valuers. If there is no market-based evidence of fair value because of the specialized nature of the item of property and the item is rarely sold, except as part of a continuing business, an entity may need to estimate fair value using an income or a depreciated replacement cost approach.

An exception to fair value valuation is the account 'Fixed Assets' which is valued according to the amortised cost model.

Financial assets:

The financial assets (derivates and non-derivatives) are designated as at fair value through profit and loss. The information about these financial assets shall be provided internally on a fair value basis to the pension fund's key management personnel.

Market values shall be determined on the basis of available information at the end of the financial year. If the market for a financial instrument is not active (not available) and fair value cannot be determined reliably, the amortised cost shall be used to approximate the fair value.

Exception

A financial asset shall be measured at amortised cost if both of the following conditions are met:

1. The asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows, and
2. The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

However, it is possible to recognize the above described exempted asset at initial recognition at fair value if doing so eliminates or significantly reduces an ‘accounting mismatch’ that would otherwise arise from measuring liabilities on different bases.

Lending or Borrowing of Assets

Pension funds are not allowed to lend or borrow securities.

Outsourced investments

If a pension fund has outsourced part or all of its investment activities to an external asset management company, the amounts concerned should not be reported as one receivable in the Statutory Report. The assets in the outsourced investment portfolio should be specified in the Report according to the different asset categories as contained in the Report.

Provisions and Liabilities

The Statutory Report segregates the provisions and liabilities of a pension fund in the following way:

- (1) Provisions for Pension Obligations;
- (2) Other Provisions and Liabilities; and
- (3) Current Liabilities.

The provisions for pension obligations are mostly technical in nature (estimates) and are determined on an actuarial basis. The provision for defined contribution arrangements is also reported under this category. The payables which would fall under the category of Other Provisions and Liabilities, tend to be more non-current or long term in nature, where as Current Liabilities require settlement within twelve months after the reporting date.

Consolidation

Fully or partially (majority interest) owned subsidiaries engaged in financial sector

The primary goal of the Statutory report is to provide the Bank with insight into the business transacted by the pension fund. Therefore, the Bank *does not* permit line by line consolidation of fully owned or partially (majority interest) owned subsidiaries engaged in the financial sector whether licensed by the Bank or by a supervisory authority of a foreign jurisdiction. If these subsidiaries are

supervised financial institutions in Curacao and Sint Maarten, they are required to submit separate statutory statements to the Bank. If the subsidiary is licensed in a foreign jurisdiction, the Bank has appropriate guidelines in place to verify if that subsidiary is compliant with the foreign jurisdiction laws and regulations. In any case the Bank expects to receive from the pension fund, besides the Statutory report, also the audited consolidated group financial statement.

In these Valuation Guidelines ‘majority interest’ means that the pension fund owns 51% or more of the voting rights in the issued capital of the subsidiary.

These fully owned or partially (majority interest) owned subsidiaries should be reported as ‘Fully owned subsidiaries’ in the balance sheet.

Fully or partially (majority interest) owned subsidiaries not engaged in financial sector

Fully owned or partially owned (majority interest) companies that *are not primarily* engaged in providing financial sector services should only be consolidated (line by line) if:

1. the company’s business is primarily to hold title to premises or equipment used by the pension fund in carrying out its ordinary business; or
2. the company’s major activity is to provide services to the institution that the institution would ordinarily perform for itself in the general course of its pension business. For example, a company that provides data processing services or investment services for the pension fund, should be consolidated if the fund holds majority interest in the company.

Partially (minority interest) owned subsidiaries

If the pension fund owns a minority interest in a financial institution, this should be reported as ‘Partially owned subsidiaries’ in the balance sheet of the Statutory report. In these Valuation Guidelines ‘minority interest’ means that the pension fund owns

- more than 20% but less than 50% of voting rights in the issued capital of the subsidiary, and
- has significant influence on its management.

External auditor’s role

According to article 10, sub 3 and article 11, sub 1 of the NOCP:

- the statutory report should be accompanied by an external auditor’s opinion. A possible format unqualified auditor’s opinion is included in these guidelines.
- the external auditor is required to initial the Statutory Report for identification purposes.

Actuary’s role

According to article 10, sub 3 of the NCOP, pension funds that retain risks for their own account are required to submit an actuarial report which should be prepared by an actuary. In addition, an external actuarial opinion on the amount of the pension provisions at year-end must be submitted.

Reconciliation sheet between the Statutory Report and the pension fund's Financial Statements

If completion of the Statutory Report in accordance with these valuation guidelines results in differences in the reported Total Assets, Total Reserves and/ or Net Results between this report and the pension fund's financial statements, the fund is required to submit a reconciliation sheet clarifying the identified differences.

Working papers of the statutory report kept on site

Pension funds are required to have the documentation supporting the schedules in the Statutory Report filed and readily available for inspection by the Bank. The primary source of information for the Report should be the fund's general ledger and trial balance. The working papers should clearly indicate the accounts in the Report to which each general ledger item is assigned. If more than one Report account has to be used to report one general ledger item, then the basis for the division should be clearly documented. Working papers should be kept at least for Assets, Liabilities and Income statement. These working papers should be kept for a minimum of 3 years.

Reinsurance of pension fund obligations

There are several ways in which pension funds can decide to reinsure their risks. Some examples are reinsurance contracts on a risk basis, guarantee contracts and capital contracts. The conditions in the different (re)insurance contracts will determine the way that the effect of these contracts should be reflected in the Statutory Report.

Reinsurance on a risk basis

Under these contracts a pension fund pays insurance premium to a (re)insurer that has (re)insured a specific risk of the pension fund. A classic example is the disability risk.

Guarantee contracts

Under these contracts the insurer guarantees the lifetime payment of pension obligations of the fund that were reinsured with it. In this particular case, both the technical risks and investment risks are carried by the insurer. The fund however, may still carry the investment risk associated with the indexation of the pension obligations (guaranteed and non-guaranteed). The pension fund may face a funding risk when it decides to change of insurer at the end of the contract period in the scenario that the pension obligations do not remain (free of premium) with the previous insurer. However, under guarantee contracts the insurer most times will keep the pension obligation free of premium at the end of the insurance contract (deferred pension rights).

Other contracts

Under these contracts technical risks and/or investment risks are reinsured with an insurer for the period of the contract. At the end of the contract, the pension obligations do not remain free of premium with the previous insurer. An example is the capital insurance contract. In capital contracts the pension fund reinsures parts of the technical risks associated with the pension obligations. In

most instances the short life mortality risk and the disability risk are reinsured for a specified period of time.

Under Guarantee contracts and Other contracts the assets of the reinsured pension obligations may be managed in a separate investment portfolio by the insurer or as part of the total investment portfolio of the insurer.

The following table illustrates how the above mentioned contracts should be accounted for in the Report:

Type of insurance contract	Pension fund	Accounting treatment
Reinsurance on risk basis	-	Asset: Reinsurance portion technical provisions/ Other reinsurance contracts
Guarantee contract with separate investment portfolio at insurer	Share in positive investment results, fund has a say in investment policy	Asset: <ul style="list-style-type: none"> • Reinsured pension obligations: reinsurance portion technical provisions/guarantee contracts • Positive investment result*: reinsurance portion technical provisions/other receivables
Guarantee contract without separate investment portfolio at insurer	Share in positive investment results, fund doesn't have a say in the investment policy	Asset: <ul style="list-style-type: none"> • Reinsured pension obligations: reinsurance portion technical provisions/guarantee contracts • Positive investment result*: reinsurance portion technical provisions/other receivables
Other contracts with separate investment portfolio at insurer	Investment risk and longevity mortality risk for account fund	Asset: Investment (fair value of portfolio at insurer) Liability: Establish provision for pension obligations regarding longevity risk
Other contracts without separate investment portfolio at insurer	Investment risk and longevity mortality risk for account fund	Asset: <ul style="list-style-type: none"> • Reinsured pension obligations: reinsurance portion technical provisions/other reinsurance contracts • Positive investment result, if applicable: reinsurance portion technical

		provisions/other receivables Liability: Establish provision for pension obligations regarding longevity risk
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*: Moment and frequency of recognition in the books of the pension fund depends on the conditions agreed upon in the insurance contract.

Defined Contribution available premium arrangement (DC system)

Regards a pension system in which the amount of pension payment is not known beforehand and will be determined by the premium paid and the investment returns achieved on this amount. At pension age the participant will receive a lump sum to be applied to buy an annuity as pension payment. This system can be implemented collectively or on individual basis. In a pure system the participants will carry the investment risk and transformation risk is for their account. Except in the case there is a guaranteed return in the contract. Then the fund will share in the investment risk.

Collective Defined Contribution pension arrangement (CDC system)

Regards a hybrid collective pension arrangement created in the Dutch pension system. The pension rights of the participants are determined based on salary and employed years (most times middelloon-regeling). The premium is fixed for most of the period. If the received premium is not sufficient at pension age to pay the amount determined based on pension rights, the pension fund will reduce the pension payment to the amount that can be afforded by the fund. Investment, funding/ transformation risk is for the account of the participants.

SCHEDULE 400: GENERAL INFO

On this page the basic information about the pension fund should be reported.

Board

The initials and last name of the independent Chairman, the employees' representatives and employer's representatives should be entered. The titles 'Chairman', 'Secretary' and 'Treasurer' should be indicated next to the last name of the person in the board that occupies these positions.

Daily Management

These cells should be completed only when the Board has delegated the daily management of the pension fund to individuals that do not occupy a position on the Board. The title of the individual should be indicated next to the name of the person. If this is not the case, these cells should remain empty.

Representatives of the Board should **sign** this schedule indicating that:

- The balance sheet and other schedules are true and correct;
- All assets, liabilities, income and expenditures for the accounting period are included in the statutory report;
- All the assets reported in the balance sheet are the property of the fund free of liens and claims except as stated in the notes to the balance sheet;
- All known capital and surplus commitments, contingent liabilities and subsequent events that have influence on the financial position of the fund are reflected in the statutory report.

SCHEDULE 401: NOTES TO THE BALANCE SHEET

Contingent Assets & Liabilities:

A contingent Asset is

- 1) A possible asset that arises from past events, and
- 2) Whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

A contingent liability is:

- 1) a possible obligation that arises from past events whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events; or
- 2) a present obligation that arises from past events but is not recognised because the amount of the obligation cannot be measured with sufficient reliability.

Unless the possibility of any outflow in settlement is remote, a pension fund should disclose for each class of contingent liability at the balance sheet date a brief description of the nature of the contingent liability and, where practicable:

- a. an estimate of its financial effect;
- b. an indication of the uncertainties relating to the amount or timing of any outflow; and
- c. the possibility of any reimbursement.

Capital and surplus commitments:

Definition:

Future capital expenditures that a company has committed to spend on long-term assets over a period of time. The term may also refer to investments in blind pool funds by venture capital investors, which they contribute over time when requested to do so by the fund manager.

The notes must include a full disclosure of the nature, timing and amount of any capital and surplus commitments which have not been reported in the balance sheet as of reporting date.

Subsequent events affecting the stated earnings of the pension fund:

This is an event, which could be favorable or unfavorable, that occurs between the end of the reporting period and the date that the Statutory Report is authorized for issue. An example for a pension fund would be the decision of the Board to adjust the current pension benefit payments based on the cost of living index.

These 'non-adjusting' events should be disclosed if they are of such importance that non-disclosure would affect the ability of users to make proper evaluations and decisions. The required disclosure is (a) the nature of the event and (b) an estimate of its financial effect or a statement that a reasonable estimate of the effect cannot be made.

SCHEDULE 402: SPECIFICATION OF ASSETS

Nr	Categorization of balance sheet item	Description of balance sheet item	Valuation principle
	Investments for account fund	Regards investments on which the fund has investment risk. It regards investments for defined benefit plans and defined contribution available premium plans (guaranteed interest return).	
A1	Investments for account of fund/Real Estate	<p>This item regards:</p> <ul style="list-style-type: none"> • direct real estate investments in land along with improvements to the land, such as buildings, fences, wells and other site improvements that are fixed in location—immovable. • indirect real estate investments, being participation in investment institutions which invest in real estate • real estate investments in development 	<p>Revaluation Model</p> <p>Asset is carried at a revalued amount, being its fair value at the date of revaluation less subsequent depreciation less impairment losses.</p> <p>Adjustment of property values through ledger or non-ledger adjustments based upon current frequent (every 3 years) appraisal. The net appreciation (the difference between the historical cost and the fair value) would be offset with an adjustment for net appreciation through the income statement.</p> <p>Land is not depreciated.</p>
A2	Investments for account of fund/Equity instruments	<p>Common and preferred shares of stock owned in issued capital of corporations.</p> <p>This item regards stock owned by the fund which represent:</p> <ul style="list-style-type: none"> • less than 20% of the voting rights in 	<p>Fair value model</p> <p>At purchase security is capitalized at initial cost and subsequently valued at fair value on individual investment basis.</p> <p>The difference between cost and the fair value must</p>

		<p>issued capital</p> <ul style="list-style-type: none"> • between 20% and 50% of voting rights, with no significant influence on management <p>This account also relates to participation in investment institutions which invest primarily in equity instruments.</p>	<p>be reported as an adjustment through income statement.</p>
A3	Investments for account of fund/Debt instruments	<p>This asset account represents corporate or government securities that pay interest (fixed or variable) and obligates the corporation or government agency to pay that interest at the end of specific time intervals, and to pay the principal at maturity or the call date of the securities.</p> <p>This account also relates to participation in investment institutions which invest primarily in debt instruments.</p>	<p>Fair value model</p> <p>Security is recognized at fair value at reporting date.</p> <p>The difference between the fair value and the (amortized) cost must be reported as an adjustment through the income statement.</p> <p><u>Exception:</u></p> <p>The asset should be valued at amortised cost if both of the following conditions are met:</p> <ol style="list-style-type: none"> 1. Business model to hold the asset in order to collect contractual cash flows, and 2. Contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding <p>However, it is possible to recognize the above described exempted asset at initial recognition at Fair value if doing so eliminates or significantly reduces an 'accounting mismatch' that would otherwise arise from measuring liabilities on different bases.</p>

A4	Investments for account of fund/Mortgage loans	<p>A mortgage loan is an amount of money lend at interest and secured by real estate and improvements thereon. The form of the mortgage instrument itself may vary, but the debt is evidenced by an accompanying promissory note.</p> <p>Consumer and business mortgage loans should be reported in this account.</p>	<p>Nominal value</p> <p>Loans in default</p> <p>If any loan is in default <u>more</u> than 6 months, a provision for doubtful collection must be established. The <u>minimum</u> provision should be determined as follows: If the outstanding balance is greater than 70% of the <u>current</u> appraised market value (every 3 years), than the excess should be represented as the minimum provision for doubtful collection.</p> <p>Sale of default mortgage property</p> <p>If the mortgagor defaults, the company may opt to sell the mortgage property by auction. If the proceeds of the sale amount to less than the unpaid balance, the remaining balance may be written off as a realized loss on mortgage loans through income statement OR may be transferred to the asset account of 'Other Loans'. If the latter is the case, an equal provision for doubtful collection must be maintained.</p>
A5	Investments for account of fund/Other loans	<p>These include:</p> <ul style="list-style-type: none"> • Collateral loans secured by a pledge of assets. The asset pledged shall by its terms be legally assignable and shall be validly assigned to the pension fund • Unsecured loans such as loans to employees and balances remaining after the foreclosure and auction of properties 	<p>Nominal value</p> <p>Loans in default</p> <p>If a loan is for <u>more</u> than 90 days in default, a provision for doubtful collection should be established equal to all receivables <u>in excess</u> of 90</p>

		which were originally securing a mortgage loan	<p>days past due.</p> <p>Auctioned foreclosed property:</p> <p>Nominal value of the (positive) difference between the auction revenue of foreclosed property and the unpaid balance on the property. An equal provision for doubtful collection must be maintained.</p>
A6	Investments for account of fund/Time Deposits	This asset represents amounts deposited with banks for a fixed period that are interest bearing and would include savings accounts, time or certificates of deposit and money market accounts.	Nominal value.
A7	Investments for account of fund/Fully owned subsidiaries	<p>These entities (corporations, joint ventures, partnerships, etc) are fully or partially owned (majority interest) by the pension fund.</p> <p>Majority interest means that the pension fund owns 51% or more of the voting rights in the issued capital of the subsidiary.</p>	<p>Equity method.</p> <p>Under the equity method, the investment is initially recorded at cost (fund's share in the affiliate's equity at purchase) and is subsequently adjusted to reflect the fund's share in the entity's net profit or loss and/ or any other adjustments to the entity's equity not reported by the entity through Profit or Loss Statement.</p> <p>Distributions received from the affiliated entity should lead to reduction of the carrying amount of the asset.</p> <p>The fund's share is based on present ownership interests.</p> <p>The use of the Equity method is subject to the following conditions:</p>

			<ul style="list-style-type: none"> • The reporting date of the affiliated entity and the fund are the same or there is no longer than 3 months difference between the reporting dates • The accounting policies applied by the affiliated entity are the same as those applied by the pension fund. <p>If the carrying amount of the participation is impaired, the recoverable amount should be determined and reported. In case of impairment, the loss should be reported through the income statement.</p>
A8	Investments for account of fund/Partially owned subsidiaries	<p>These entities (corporations, joint ventures, partnerships, etc) are partially owned (minority interest) by the pension fund.</p> <p>Minority interest means that the pension fund owns</p> <ul style="list-style-type: none"> • more than 20% but less than 50% of voting rights in the issued capital of the entity, and • has significant influence on its management. 	<p>Equity method.</p> <p>Under the equity method, the investment is initially recorded at cost (fund's share in the affiliate's equity at purchase) and is subsequently adjusted to reflect the fund's share in the entity's net profit or loss and/ or any other adjustments to the entity's equity not reported by the entity through Profit or Loss Statement.</p> <p>Distributions received from the affiliated entity should lead to reduction of the carrying amount of the asset.</p> <p>The fund's share is based on present ownership interests.</p> <p>The use of the Equity method is subject to the following conditions:</p> <ul style="list-style-type: none"> • The reporting date of the affiliated entity and the fund are the same or there is no longer than

			<p>3 months difference between the reporting dates</p> <ul style="list-style-type: none"> The accounting policies applied by the affiliated entity are the same as those applied by the pension fund. <p>If the carrying amount of the participation is impaired, the recoverable amount should be determined and reported. In case of impairment, the loss should be reported through the income statement.</p>
A9	Investments for account of fund/Other Investments	<p>This account regards:</p> <ul style="list-style-type: none"> Derivatives which would include caps, rights, calls, futures, puts, warrants, floors, forwards, options and swaps; Cash balances at investment brokers; Any other class of investments not included under another predefined category. 	<p>Derivatives: fair value model</p> <p>At purchase security is capitalized at initial cost and subsequently valued at fair value on individual investment basis.</p> <p>The difference between cost and the fair value must be reported as an adjustment through income statement.</p> <p>Cash balances at investment brokers</p> <p>Nominal value.</p>
	Investments for the account of participants	<p>Regards defined contribution available premium plans (without guarantees) and Dutch collective defined contribution plans in which the investment risk is carried by the participants.</p>	
B1	Investments for account of participants/Real Estate	<p>This item regards:</p> <ul style="list-style-type: none"> direct real estate investments in land along with improvements to the land, such as buildings, fences, wells and other site improvements that are fixed in location—immovable; indirect real estate investments, being 	<p>Revaluation Model</p> <p>Asset is carried at a revalued amount, being its fair value at the date of revaluation less subsequent depreciation less impairment losses.</p> <p>Adjustment of property values through ledger or non-ledger adjustments based upon current</p>

		<p>participation in investment institutions which invest in real estate;</p> <ul style="list-style-type: none"> • real estate investments in development. 	<p>frequent (every 3 years) appraisal. The net appreciation (the difference between the historical cost and the fair value) would be offset with an adjustment for net appreciation through the income statement.</p> <p>Land is not depreciated.</p>
B2	Investments for account of participants/Equity instruments	<p>Common and preferred shares of stock owned in the issued capital of corporations.</p> <p>This item regards stock owned by the fund which represent:</p> <ul style="list-style-type: none"> • less than 20% of the voting rights in issued capital • between 20% and 50% of voting rights, with no significant influence on management <p>This account also relates to participation in investment institutions which invest in equity instruments</p>	<p>Fair value model</p> <p>At purchase security is capitalized at initial cost and subsequently valued at fair value on individual investment basis.</p> <p>The difference between cost and the fair value must be reported as an adjustment through income statement</p>
B3	Investments for account of participants/Debt instruments	<p>This asset account represents corporate or government securities that pay interest (fixed or variable) and obligates the corporation or government agency to pay that interest at the end of specific time intervals, and to pay the principal at maturity or the call date of the securities.</p> <p>This account also relates to participation in investment institutions which invest primarily</p>	<p>Fair value model</p> <p>Security is recognized at fair value at reporting date.</p> <p>The difference between the fair value and the (amortized) cost must be reported as an adjustment through the income statement.</p> <p><u>Exception:</u></p> <p>The asset should be valued at amortised cost if both</p>

		in debt instruments.	<p>of the following conditions are met:</p> <ol style="list-style-type: none"> 1. Business model to hold the asset in order to collect contractual cash flows, and 2. Contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding <p>However, it is possible to recognize the above described exempted asset at initial recognition at Fair value if doing so eliminates or significantly reduces an ‘accounting mismatch’ that would otherwise arise from measuring liabilities on different bases.</p>
B4	Investments for account of participants/Mortgage loans	<p>A mortgage loan is an amount of money lend at interest and secured by real estate and improvements thereon. The form of the mortgage instrument itself may vary, but the debt is evidenced by an accompanying promissory note.</p> <p>Consumer and business mortgage loans should be reported in this account.</p>	<p>Nominal value.</p> <p>Loans in default</p> <p>If any loan is in default <u>more</u> than 6 months, a provision for doubtful collection must be established. The <u>minimum</u> provision should be determined as follows: If the outstanding balance is greater than 70% of the <u>current</u> appraised market value (every 3 years), than the excess should be represented as the minimum provision for doubtful collection.</p> <p>Sale of default mortgage property</p> <p>If the mortgagor defaults, the company may opt to sell the mortgage property by auction. If the proceeds of the sale amount to less than the unpaid</p>

			balance, the remaining balance may be written off as a realized loss on mortgage loans through income statement OR may be transferred to the asset account of 'Other Loans'. If the latter is the case, an equal provision for doubtful collection must be maintained.
B5	Investments for account of participants/Other loans	<p>These include:</p> <ul style="list-style-type: none"> • Collateral loans secured by a pledge of assets. The asset pledged shall by its terms be legally assignable and shall be validly assigned to the pension fund; • Unsecured loans such as loans to employees and balances remaining after the foreclosure and auction of properties which were originally securing a mortgage loan. 	<p>Nominal value.</p> <p>Loans in default</p> <p>If a loan is for <u>more</u> than 90 days in default, a provision for doubtful collection should be established equal to all receivables <u>in excess</u> of 90 days past due.</p> <p>Auctioned foreclosed property:</p> <p>Nominal value of the (positive) difference between the auction revenue of foreclosed property and the unpaid balance on the property. An equal provision for doubtful collection must be maintained.</p>
B6	Investments for account of participants/Time Deposits	This asset represents amounts deposited with banks for a fixed period that are interest bearing and would include savings accounts, time or certificates of deposit and money market accounts.	Nominal value.
B7	Investments for account of fund/Fully owned subsidiaries	<p>These entities (corporations, joint ventures, partnerships, etc) are fully or partially owned (majority interest) by the pension fund.</p> <p>Majority interest means that the pension fund</p>	<p>Equity method.</p> <p>Under the equity method, the investment is initially recorded at cost (fund's share in the affiliate's equity at purchase) and is subsequently adjusted to reflect</p>

		owns 51% or more of the voting rights in the issued capital of the subsidiary.	<p>the fund's share in the entity's net profit or loss and/ or any other adjustments to the entity's equity not reported by the entity through Profit or Loss Statement.</p> <p>Distributions received from the affiliated entity should lead to reduction of the carrying amount of the asset.</p> <p>The fund's share is based on present ownership interests.</p> <p>The use of the Equity method is subject to the following conditions:</p> <ul style="list-style-type: none"> • The reporting date of the affiliated entity and the fund are the same or there is no longer than 3 months difference between the reporting dates • The accounting policies applied by the affiliated entity are the same as those applied by the pension fund. <p>If the carrying amount of the participation is impaired, the recoverable amount should be determined and reported. In case of impairment, the loss should be reported through the income statement.</p>
B8	Investments for account of fund/Partially owned subsidiaries	<p>These entities (corporations, joint ventures, partnerships, etc) are partially owned (minority interest) by the pension fund.</p> <p>Minority interest means that the pension fund owns</p>	<p>Equity method.</p> <p>Under the equity method, the investment is initially recorded at cost (fund's share in the affiliate's equity at purchase) and is subsequently adjusted to reflect the fund's share in the entity's net profit or loss and/ or any other adjustments to the entity's equity</p>

		<ul style="list-style-type: none"> • more than 20% but less than 50% of voting rights in the issued capital of the entity, and • has significant influence on its management. 	<p>not reported by the entity through Profit or Loss Statement.</p> <p>Distributions received from the affiliated entity should lead to reduction of the carrying amount of the asset.</p> <p>The fund's share is based on present ownership interests.</p> <p>The use of the Equity method is subject to the following conditions:</p> <ul style="list-style-type: none"> • The reporting date of the affiliated entity and the fund are the same or there is no longer than 3 months difference between the reporting dates • The accounting policies applied by the affiliated entity are the same as those applied by the pension fund. <p>If the carrying amount of the participation is impaired, the recoverable amount should be determined and reported. In case of impairment, the loss should be reported through the income statement.</p>
B9	Investments for account of participants/Other Investments	<p>This account regards:</p> <ul style="list-style-type: none"> • Derivatives which would include caps, rights, calls, futures, puts, warrants, floors, forwards, options and swaps; • Cash balances at investment brokers • Any other class of investments not included under another predefined category. 	<p>Derivatives: fair value model</p> <p>At purchase security is capitalized at initial cost and subsequently valued at fair value on individual investment basis.</p> <p>The difference between cost and the fair value must be reported as an adjustment through income statement.</p> <p>Cash balances at investment brokers</p>

			Nominal value.
C1	Reinsured technical provisions/ Guaranteed contracts	<p>Under these contracts the insurer guarantees the lifetime payment of pension obligations of the fund that were reinsured. The technical risks and investment risks are carried by the insurer.</p> <p>The (re)insurer should have a license issued according to article 15 of the National ordinance on insurance supervision (1990, nr 77).</p>	Nominal value of receivables based on valuation principles of the pension fund taking credit risk of the reinsurer into account. The value equals the reported technical provision for account fund if the obligations can remain free of premium at the (previous) reinsurer.
C2	Reinsured technical provisions/ Other reinsurance contracts	<p><u>Reinsurance on risk basis</u> The receivable is determined at occurrence of the risk (e.g. disability claim).</p> <p><u>Other Contracts (e.g. capital contracts)</u> Value of the reinsured pension obligations or guaranteed returns according to contract.</p>	<p><u>Reinsurance on risk basis:</u> Present value of the future payments based on valuation principles of the fund and taking into account the credit risk of the reinsurer.</p> <p><u>Other contracts (e.g. capital contracts):</u> Nominal value of receivables, taking into account the credit risk of the reinsurer.</p>
C3	Reinsured technical provisions/ Other receivables	Regards the share in the positive investment results of the reinsurer under guaranteed contracts and some other reinsurance contracts. The moment of recognition depends on the specifications of the underlying contract.	Nominal value.
D	Intangible Assets	<ul style="list-style-type: none"> • Goodwill; • Other intangible assets that are separately identifiable, reliably measurable and that will probably bring future economic benefits to the pension fund. Examples 	<p>Goodwill Asset is carried at fair value less subsequent depreciation.</p> <p>Other intangible assets</p>

		are computer software and licenses;	Initial registration at cost, subsequently adjusted with depreciation and impairment losses.
E	Fixed Assets	<ul style="list-style-type: none"> • Land along with improvements to the land, such as buildings, fences, wells and other site improvements that are fixed in location-immovable. In own use by the pension fund; • This asset includes furniture, fixtures, equipment (including electronic data processing equipment and related operating software) and vehicles, all of which must be in use by the pension fund on the reporting date. Also included are leasehold improvements that are permanently attached to an asset that the reporting entity is leasing under a current financial lease. 	<p>Cost Model</p> <p>Amortised cost less depreciation over the assets useful life less impairment losses.</p> <p>Only buildings and improvements are subject to depreciation, land is considered as not being subject to depreciation.</p>
F1	Current Assets/ Cash at Banks	<p>Cash may be defined as a negotiable medium of exchange free of any restrictions and available for any ordinary business purpose. Cash ordinarily consists of money, negotiable money orders, bank drafts and checks, and balances on demand deposited with regulated banks after any outstanding items have been deducted.</p> <p>A general rule to follow in classifying a particular asset as cash is that the asset must be a medium of exchange that a regulated bank will accept for deposit and allow an immediate credit to the depositor's account.</p> <p>This account also includes any cash related</p>	Nominal value net of outstanding and non-cashed checks.

		<p>suspense accounts.</p> <p><u>Note:</u> Time deposits and certificates of deposit of <u>3 months or less</u> should be reported as 'Time Deposits'</p>	
F2	Current Assets/ Receivable from reinsurers	Regards the amounts receivable from the reinsurer under reinsurance contracts to comply with pension or disability obligations of the fund	Nominal value.
F3	Current Assets/ Contributions receivable account fund	Regards premium contributions receivable of the employers and the employees for defined benefit plans and defined contribution available premium plans with guarantees.	Nominal value.
F4	Current Assets/ Contributions receivable account participants	Regards premium contributions receivable of the employees and employers for defined contribution available premium plans (without guarantees) and Dutch collective defined contribution plans.	Nominal value.
F5	Current Assets/ Current Account own Company	Regards debit current account balances maintained with the plan sponsors (employers). Netting with related credit current account balances with the same plan sponsors is allowed.	Nominal value.
F6	Current Assets/ Other Current Assets	This account allows for current assets that couldn't be classified under the other Current Assets categories and includes amongst others debit suspense account balances.	Nominal value.

SCHEDULE 403: SPECIFICATION OF RESERVES AND LIABILITIES

Nr	Categorization of balance sheet item	Description of balance sheet item	Valuation principle
H1	Reserves/ (Fund)capital	Regards contributed capital to incorporate the pension fund at the notary public. Additional capital funds may also be contributed.	Nominal value.
H2	Reserves/ Indexation reserve	It regards a reserve set-up to pay conditional indexation to pensioners. It is usually funded from the net result after addition to the non-conditional pension provisions.	Nominal value.
H3	Reserves/ Investment reserve	This reserve is created to function as a buffer to absorb market fluctuation in the non-fixed income part of the investment portfolio. It is usually funded from the net result after addition to the non-conditional pension provisions.	Nominal value.
H4	Reserves/ Other reserves	Regards other reserves that are created based on the articles of association or for other goals such as a conditional reserve for pension increase. It is usually funded from the net result after addition to the non-conditional pension provisions.	Nominal value.
H5	Reserves/ General reserves	This item represents the non-appropriated amount of accumulated earnings from both realized and unrealized operational results.	Nominal value.

I	Subordinated instruments	<p>These instruments regard loans provided by the pension fund sponsors to support the fund's capital and reserves. These loans resemble debt in as much as they are repayable at interest and sometimes, may include maturity dates and/or schedules of repayment. However, these loans are also tantamount to equity because they are subordinated compared to other creditors. The conditions of the Bank for these loans are:</p> <ul style="list-style-type: none"> • that these loans are allowable subject to the Bank's approval and • most importantly, interest and principal may be repaid only with prior approval of the Bank. 	Amortised cost.
J	Minority Interest	This item regards the share of third parties in the equity of consolidated entities in which the pension fund has a majority interest.	Nominal value
K	Technical provisions account Fund	<p>This item regards non-conditional nominal pension payment liabilities and a cost provision (for administrative expenses) that arise from the defined benefit pension and defined contribution available premium (with guarantees) arrangements in place.</p> <p>The calculation of these provisions contains:</p> <ul style="list-style-type: none"> • Prudent assumptions regarding mortality risks (short life and longevity) which reflect observed experience of participants in the pension plan • Expected cash outflows regarding non- 	<p>Cost</p> <p>Based on actuarial principles</p>

		<p>conditional payments and guaranteed interest</p> <ul style="list-style-type: none"> • Calculation rate of max 4% 	
L	Other technical provisions account fund	<p>These provisions are related to the provisions reported under K and consist of the following items, not limitative:</p> <ul style="list-style-type: none"> • Non-conditional indexation • Disability provision • Other payments <p><u>Disability provision</u></p> <ul style="list-style-type: none"> • Based on prudent disability assumptions which reflect observed experience of participants in the pension plan • Future disability cash outflows regarding ill participants at balance sheet date that are expected to be declared disabled • Calculation rate of max 4% 	<p>Cost</p> <p>Based on actuarial principles</p>
M	Technical provisions account participants	<p>This account regards the accumulated saving capital of individual participants in Defined Contribution available premium plans (without guarantees) and Dutch collective defined contribution plans as of year-end. In these plans the participants bear the investment risk.</p>	<p>Fair value</p> <p>Based on the fair value of the underlying investment portfolio</p>
N	Other provisions and liabilities	<p>Other provisions:</p> <ul style="list-style-type: none"> • ‘Latente belastingverplichtingen’ of consolidated entities • Other provisions <p>Long-term liabilities:</p> <ul style="list-style-type: none"> • Loans from financial institutions 	<p>Nominal value</p>

		<ul style="list-style-type: none"> • Mortgage loans • Other loans 	
O1	Current Liabilities/ Reinsurance premiums payable	Reinsurance premiums payable are those premiums that are due to (re)insurance companies (assuming companies) for the coverage purchased by the pension fund (the ceding company) to reduce its liability (risk exposure).	Nominal value.
O2	Current Liabilities/ Current Account Own Company	Regards credit current account balances maintained with the plan sponsors. Netting with related debit current account balances with the same plan sponsors is allowed.	Nominal value.
O3	Current Liabilities/ Pensions payable	Regards the following pension payables: <ul style="list-style-type: none"> • Transferred pension obligations payable; • Pensions payable 	Nominal value.
O4	Current Liabilities/ Other current liabilities	These include any other class of current liability not included under any of the predefined current liability classifications such as: <ul style="list-style-type: none"> • Payables to creditors; • Employee Withholding Payable; • Any encumbrances on the properties of the pension fund; • Interest Payable on Subordinated Instruments; • Credit suspense account balances. 	Nominal value.

SCHEDULE 404: INCOME STATEMENT

Nr.	Categorization of Income Statement item	Description of contents Income Statement item
	REVENUES	
A	Contributions for the account of the fund	Actual premium charged to the employers and the employees for defined benefit plans and defined contribution available premium plans (with guarantees)
B	Contributions for the account of the participants	Actual premium charged to the employers and the employees for defined contribution available premium plans (without guarantees) and Dutch collective defined contribution plans.
C	Transferred obligations received	Nominal value of the pension obligations received (inflow)
D	Net investment results account fund	Defined benefit plans and defined contribution available premium plans (with guarantees): <ul style="list-style-type: none"> • Investment income earned net of investment expenses (incl. asset management fees, custodian fees and depreciation investment property), • Realized capital gains & losses and • Unrealized capital gains & losses
E	Net investment results account participants	Defined contribution available premium plans (without guarantees) and Dutch collective defined contribution plans. <ul style="list-style-type: none"> • Investment income earned net of investment expenses (incl. asset management fees, custodian fees and depreciation investment property), • Realized capital gains & losses and • Unrealized capital gains & losses
F	Benefits received from reinsurers	Nominal amounts received from the reinsurers
G	Other Income	All other income that cannot be classified in the pre-defined categories such as interest on current

		accounts.
	EXPENSES	
H	Reinsurance premiums	Premiums for reinsurance purchased by the pension fund
I	Pension obligations transferred	Nominal value of the pension obligations transferred (outflow)
J1	Pension payments/Retirement pension	Nominal amounts payable
J2	Pension payments/Survivor's pension	Nominal amounts payable
J3	Pension payments/Disability benefits	Nominal amounts payable
J4	Pension payments/Other benefits	Nominal amounts payable that cannot be classified in the pre-defined categories such as orphan's pension
K	Operational expenses	This account includes salary expenses, office expenses and depreciation on fixed assets
L	Minority interest	Regards the share in the return by the minority shareholder of the entity in which the pension fund has a majority interest. This amount should be entered as a positive (profit) or negative (loss) amount.
M 1-3	Changes in technical provisions: <ul style="list-style-type: none"> • Technical provisions for account fund • Other technical provisions account fund • Technical provisions for account participants 	The changes in the current year are automatically calculated by deducting the prior year provision from the current year provision on the balance sheet.
N	Change in reinsured Technical Provisions	The change in the current year is automatically calculated by deducting the prior year asset from the current year asset on the balance sheet.
O	Taxes and tax provision	Corporate taxes payable and changes in tax provision regarding corporations owned by the pension fund. This amount should be entered as a positive (profit) or negative (loss) amount.

P1	Indexation reserve	Attribution or charge of a portion of the net result to the indexation reserve. Charging is possible as long as there is a credit balance available in the reserve.
P2	Investment reserve	Attribution or charge of a portion of the net result to the investment reserve. Charging is possible as long as there is a credit balance available in the reserve.
P3	Other reserves	Attribution or charge of a portion of the net result to other types of reserves. Charging is possible as long as there is a credit balance available in the reserves.
P4	General reserve	Attribution or charge of a portion of the net result to the general reserve.

SCHEDULE 405: FUNDING RATIO

This schedule is automatically calculated based on the entries in the balance sheet.

According to article 13 of the NOCP, the funding ratio should be $\geq 100\%$.

If the pension fund has a funding ratio below 100%, the Bank will analyze its specific situation and determine whether or not the pension fund should submit a recovery plan.

Example:

NAf x 1000	Balance sheet Fund A		
Intangibles	10	Tech Prov gross	100
Investments	70		
Reins portion TP	30	Curr liabilities	10
	<u>110</u>		<u>110</u>

Tech provision on which the Fund runs risk equals NAf 70.000 (100 - 30).

This amount should be used as denominator in calculation.

The assets to cover this should also be corrected for the reins portion TP, intangibles and CL.

Corrected assets are NAf 60.000 (110 - 30 - 10 - 10).

Funding ratio of this fund = 86% (60.000 / 70.000)

SCHEDULE 406: INVESTMENTS OWN COMPANY

This schedule is automatically calculated based on the entries in the investment schedules and the balance sheet. The pension fund sponsors are referred to as ‘Own Company’.

According to article 15 of the NCOP, a pension fund should not have loan receivables on the sponsors and stock holdings in the capital of the sponsors that together surpass the sum of 5% of the fund’s total assets and its reported general reserves. There is an absolute maximum equal to 10% of the fund’s total assets.

If the calculated limit of test 1 is higher than the limit of test 2, the limit of test 2 applies. If the calculated limit of test 1 is lower than the limit of test 2, the limit of test 1 applies. If the pension fund does not report positive general reserves, only test 2 is applicable.

If the pension fund is not in compliance, it should provide the Bank with a plan detailing how it intends to reduce its exposure to the sponsors in order to comply with this legal requirement.

SCHEDULE 407: SPECIFICATION OF INVESTMENTS I

This schedule provides a specification of the investments for the account of the fund and the investments for the account of participants that were reported in File 402.

Local investments represent investments in Curaçao and Sint Maarten. Foreign investments represent investments outside of Curaçao and Sint Maarten.

To support the completion of this schedule, the total amount of investments for the account of the fund and total amount of investments for the account of the participants are transferred from schedule 402 as control totals.

For the definitions of the defined sub-categories, make reference to the 'Description' column of the investment accounts described in sections A1 to B9 of schedule 402.

The value of investment funds consisting of both equity instruments and debt instruments should be split between account 2c (equity) and 3e (debt). The value of the total fund should be reported in schedule 413.

SCHEDULE 408: SPECIFICATION OF INVESTMENTS II

In this schedule the foreign equity and debt instruments are specified by region, type and currency.

By region

The holdings in Europe are excluding Russia. The holdings in Central and South America are excluding Brazil and Mexico. Emerging markets regard investments in BRIC (Brazil, Russia, India and China) and MIKT (Mexico, Indonesia, South Korea, Turkey).

By type

Private equity:

Stock in the issued capital of privately held corporations.

Blue chip stocks:

Stock of a large, well-established and financially sound company that has operated for many years. A blue-chip stock typically has a market capitalization in the billions, is generally the market leader or among the top three companies in its sector, and is more often than not a household name. Most blue-chips have a record of paying stable or rising dividends for years, if not decades. A blue-chip stock is generally a component of the most reputable market indexes or averages, such as the Dow Jones Industrial Average, the S&P 500 and the Nasdaq-100 in the United States, the TSX-60 in Canada or the FTSE index in the United Kingdom.

Other equity:

Non-blue chip equity instruments.

Investment grade:

Standard & Poors /Fitch: BBB or higher and Moody's: Baa or higher.

To support the completion of this schedule, the total amount of foreign equity instruments and foreign debt instruments are transferred from schedule 407 as control totals.

SCHEDULE 409: MATURITY SCHEDULE

In this schedule the remaining term and average yield per remaining term should be specified for the local and foreign debt instruments and time deposits. Control totals are transferred from schedule 407.

SCHEDULE 410: SPECIFICATION OF TECHNICAL PROVISIONS

In this schedule the Gross technical provision for account fund and the Gross other technical provision is specified. Control totals are transferred from schedule 403.

Gross technical provision for account fund

Under this heading, the technical provision is divided between traditional defined benefit plans and defined contribution available premium plans (with guarantees). In DC plans, the fund carries the short-life risk and investment risk (guaranteed interest) during the savings part of the contract and long-life risk during the annuity part of the contract.

Active participants are participants that are employed with the sponsors and contributing to the DB-plan or DC plan. Passive participants are ex-employees of the sponsors that are not contributing to the DB-plan or DC plan anymore but have deferred pension rights. Pensioners regard retirees that are receiving pension payments. Others regard widow, widower and orphan pensioners.

The ratio 'Provision actives to Provision non-actives' is automatically calculated. It equals the amount reported in row A divided by the sum of the amounts reported in rows B through D.

Other technical provision for account fund

Regards the provision for non-conditional indexation, the provision for future payments for disabled employees (if part of the DB-plan) and other provisions (amongst others VUT and back service payments).

SCHEDULE 411: CHANGE IN TECHNICAL PROVISIONS

In this schedule the changes during the reporting period in the gross technical provision for account fund and the other technical provisions for account fund are specified. A control total is transferred from schedule 403.

It regards changes related to DB pension obligations, DC available premium plans (with guarantees) and disability obligations (if applicable). The figures should be entered as a plus or minus.

SCHEDULE 412: PARTICIPANTS COUNT

In this schedule information is requested about the participants and the pension arrangements.

Defined Benefit plans

Active participants are participants that are employed with the sponsors and contributing to the DB-plan. Passive participants are ex-employees of the sponsors that are not contributing to the DB-plan anymore but have deferred pension rights. Pensioners regard retirees that are receiving pension payments. Others regard widow, widower and orphan pensioners.

The ratio Actives to Non-actives is automatically calculated. It equals the number reported in row A divided by the sum of the numbers reported in rows B through D.

Open pension fund allows new participants to the plan. A closed pension fund does not allow new participants to the plan.

Retirement age: the retirement age as mentioned in the pension plan.

Final pay – Average pay plan: identify based on the nature of the retirement plan.

DC available premium plans (with guarantees)

Active participants are participants that are employed with the sponsors and contributing to the DC-plan. Passive participants are ex-employees of the sponsors that are not contributing to the DC-plan anymore but have deferred pension rights. Others regard widow, widower and orphan pensioners.

Pension funds that have more than one DB-plan and/or DC-plan should report this in Schedule 413.

SCHEDULE 413: ADDITIONAL INFORMATION

This schedule provides space for explanation of entries in the schedules.

Addendum 1: External Auditors report

<<Board of Pension Fund>>

<<Pension Fund name>>

<<Pension Fund address>>

<<Country>>

INDEPENDENT AUDITORS' REPORT

Introduction

We have audited the statutory report of <<Pension Fund name>> as of and for the year ended <<Month, day, year>>, as presented in the Schedule 400 up to Schedule 412.

Management's responsibility for the statements

Management is responsible for the preparation and fair presentation of the statutory report in accordance with the 'Pension fund statutory report composition and valuation guidelines (2014)', and for such internal control as management determines is necessary to enable the preparation of the statutory report that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on the statutory report based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the Netherlands/ international standards on auditing (ISA). Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the statutory report is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the statutory report. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the statutory report, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the statutory report 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the statutory report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the statutory report of <<Pension Fund name>> as of <<Month, day, year>>, has been prepared in all material respects in accordance with the 'Pension fund statutory report composition and valuation guidelines (2014)'.

<<Place, date>>

<<Name audit firm>>

<<Name external auditor and his signature>>