



FIRST REPORT OF THE PUBLIC ACCOUNTS COMMITTEE

National Insurance Board of Trinidad and Tobago (NIBTT)

Fourth Session, 10th Parliament

Examination of the Financial
Statements for the years ended
June 30, 2009 & June 30, 2010

*Ordered to be printed by the House of
Representatives and Senate*



The Public Accounts Committee (PAC) established by the Constitution of the Republic of Trinidad and Tobago in accordance with Section 119(4) is mandated to consider and report to the House of Representatives on:

*“(a) appropriation accounts of moneys expended out of sums granted by Parliament to meet the public expenditure of Trinidad and Tobago;
(b) such other accounts as may be referred to the Committee by the House of Representatives or as are authorized or required to be considered by the committee under any other enactment; and
(c) the report of the Auditor General on any such accounts.”*

Current membership

Mr Colm Imbert	Chairman
Mrs Raziah Ahmed	Member
Mrs Diane Baldeo-Chadeesingh	Member
Mr Vasant Bharath	Member
Ms Donna Cox	Member
Dr Dhanayshar Mahabir	Member
Mr Collin Partap	Member
Ms Ramona Ramdial	Member
Mr Anand Ramlogan	Member
Mr Anil Roberts	Member

Committee Staff

The current staff members serving the Committee are:

Ms Keiba Jacob	Secretary to the Committee
Ms Khisha Peterkin	Assistant Secretary to the Committee
Ms Candice Williams	Graduate Research Assistant
Mr Ian Mural	Parliamentary Intern
Mrs Michelle Galera-Bleasdell	Administrative Support

Publication

An electronic copy of this report can be found on the Parliament website: www.ttparliament.org

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Members of the Public Accounts Committee –

TENTH PARLIAMENT,
REPUBLIC OF TRINIDAD AND TOBAGO



**Mr. Colm Imbert
Chairman**



**Mr. Collin Partap
Member**



**Ms. Ramona Ramdial
Member**



**Mr. Anil Roberts
Member**



**Ms. Donna Cox
Member**



**Mr. Anand Ramlogan S.C.
Member**



**Mr. Vasant Bharath
Member**



**Mrs. Diane Baldeo-
Chadeesingh
Member**



**Mrs. Raziah Ahmed
Member**



**Dr. Dhanayshar Mahabir
Member**

Executive Summary

The PAC wishes to present its First Report of the Tenth Parliament which details the examination of the **National Insurance Board of Trinidad and Tobago (NIBTT) on its Audited Financial Statements as at June 30, 2009 and June 30, 2010.**

The Report concludes with the following main recommendations:

- The amounts associated with the unpaid mortgages should be removed from the books entirely, beyond being written off as a bad debt to provide a more accurate representation of the accounts.
- The performance of the international investments made on behalf of the NIBTT should be disclosed separately from the local investment portfolio, as this portfolio represents a substantial sum of approximately \$2 Billion.
- Immediately determine whether the NIBTT should pay Green Fund Levy Tax and upon determination, the necessary action if any should be taken accordingly.

Chapter 1 Presents details of the PAC established for the duration of the Tenth Republican Parliament, the election of its Chairman and the determination of the Committee's quorum. It also includes the particulars of meetings held with the entity under report and the support staff of the Committee.

Chapter 2 Presents the Company Profile and details the conduct of the enquiry.

Chapter 3 Lists the general recommendations presented by the Committee for the consideration of the House of Representatives and the Senate.

Appendices The Minutes of Meetings and Notes of Evidence.

Chapter 1

The Committee

Establishment, Election of Chairman and Quorum

The PAC of the Tenth Republican Parliament was established by resolutions of the House of Representatives and the Senate at sittings held on Friday September 17, 2010 and Tuesday October 12, 2010 respectively.

2. The Committee held its first meeting on Tuesday October 26, 2010. At this meeting the Committee elected Mr. Colm Imbert as Chairman, in accordance with Section 119(2) of the Constitution of the Republic of Trinidad and Tobago. At that same meeting, the Committee resolved that its quorum should comprise of six (6) Members, inclusive of the Chairman and any other Opposition Member.

3. At the Committee's second meeting, held on Tuesday February 8, 2011, by agreement, the quorum was reduced to five (5) Members, with no change to the composition.

Changes in Membership

4. By resolution of the House of Representatives made on January 18, 2011, Mr. Terrence Deyalsingh was appointed to replace Mr. Ted Roopnarine as a Member of this Committee. On December 10, 2013, Mrs. Diane Baldeo-Chadeesingh was appointed in lieu of Mr. Terrence Deyalsingh.

5. By a similar resolution of the Senate made on October 16, 2012, Mr. Jamal Mohammed replaced Mr. Danny Maharaj as a Member of the Committee. On September 23, 2013, Mrs. Raziah Ahmed was appointed in lieu of Mr. Jamal Mohammed.

6. By another resolution of the House of Representatives made on October 19, 2012, Mr. Collin Partap replaced Dr. Rupert Griffith as a Member of the Committee.

7. By a similar resolution of the Senate made on September 23, 2013, Dr. Dhanayshar Mahabir was appointed in lieu of Mrs. Corrine Baptiste-McKnight.

Committee Secretariat Support

8. The following persons currently serve the Committee through the provision of procedural, research and administrative support services:

- Ms. Keiba Jacob - Secretary to the Committee
- Ms. Khisha Peterkin - Assistant Secretary to the Committee
- Ms. Candice Williams - Graduate Research Assistant
- Mr. Ian Mural - Parliamentary Intern
- Mrs. Michelle Galera-Bleasdel - Administrative Support

9. Given the complexity of the information that is required to be reviewed by the Committee, Members agreed that in addition to the expert assistance of the Auditor General and other Officials from the Ministry of Finance and the Economy, the services of a Financial Consultant should be procured on as-needed basis, to elucidate matters of complexity and to provide related services to the PAC. The Committee made a formal decision to enlist the services of a financial consultant on February 8, 2011.

10. By letters dated May 11, 2011, invitations for proposals were sent to Pricewaterhouse Coopers, Deloitte & Touche, Ernst & Young, Baker Tilly Montano, Ramcharitar – Chartered Accountants, KPMG, BDO Trinity Ltd. and Pannel Kerr Foster Limited. Responses were received from Deloitte & Touche, Baker Tilly Montano, Ramcharitar – Chartered Accountants, PKF Limited, BDO Trinity Ltd and Pricewaterhouse Coopers.

11. At a meeting held on November 22, 2011 the Committee agreed that the consultancy would be awarded to Baker Tilly Montano Ramcharitar – Chartered Accountants. The Committee based its decision on their service fee being the lowest and them naming senior managers and partners to assist the Committee.

12. The following persons from this firm, Baker Tilly Montano Ramcharitar – Chartered Accountants who assisted the Committee are:

- Mr. Leslie Ramcharitar - Managing Partner
- Mrs. Veera Ramcharitar - Senior Consultant

Meetings

13. The meetings of the Committee in relation to the examination of the NIBTT were as follows:

Tuesday January 24, 2011 – *in public*

Tuesday March 13, 2012 – *in public*

Tuesday January 29, 2013 – *in public*

14. At the meeting held *in public* on Tuesday January 24, 2011, the Committee met with Officials of the NIBTT to examine its Financial Statements for the year ended June 30, 2009. The witnesses attending on behalf of the NIBTT were:

- | | | |
|--------------------------|---|--|
| Ms. Lorna Charles | - | Executive Director |
| Miss Esther Charles | - | Executive Manager, Finance and
Business (Ag.) |
| Mrs. Niala Persad-Poliah | - | Executive Manager, Legal Services
(Ag.) |
| Miss Karen Gopaul | - | Executive Manager, Insurance
Operations |

15. At the Meeting held *in public* on Tuesday, March 13, 2012 the Committee again met with the NIBTT. The witnesses attending on behalf of the NIBTT were:

- | | | |
|--------------------------|---|--|
| Mr. Sylvester Ramquar | - | Deputy Chairman |
| Mr. Seeram K. Maharaj | - | Director |
| Ms. Lorna Charles | - | Executive Director |
| Ms. Esther Charles | - | Executive Manager, Finance
and Business (Ag.) |
| Mrs. Niala Persad-Poliah | - | Executive Manager, Legal
Services (Ag.) |
| Miss Karen Gopaul | - | Executive Manager, |

Insurance Operations (Ag.)

16. At the Meeting held in public on Tuesday January 29, 2013, the Committee met a third time with officials of the NIBTT. The witnesses attending on behalf of the NIBTT were:

Mr. Adrian Bharath	-	Chairman
Mr. Ruben McSween	-	Director
Mr. Harry Hospedales	-	Director
Ms. Karen Gopaul	-	Exec. Director (Ag.)
Ms. Esther Charles	-	Exec. Manager (Ag.), Finance & Business
Mr. Ashook Balroop	-	Exec. Manager (Ag.), Legal Services
Ms. Michelle Chong Tai-Bell	-	Actuary

Chapter 2

Company Profile

17. The NIBTT is a body corporate established under Section 3 of the National Insurance Act, Chap. 32:01. The Board consists of a maximum of eleven (11) members appointed by the Minister and charged with the duty to —

“operate and manage the system of National Insurance established by this Act and, subject to this Act, the Board shall have and exercise such functions, powers and duties as are conferred upon it by this Act and by any other written law.”

18. The Board of the NIBTT is responsible for the development of an appropriate framework to govern the operations of the NIBTT through a number of measures including the establishment of Board Committees. These Committees guide the development of specific functions and make recommendations to the Board. Notable Committees of the Board at the NIBTT include the Investment Committee, Audit Committee, the Tenders Committee and the Human Resources Committee.

Auditing and Financial Year

19. Section 25 (2) of the National Insurance Act Chap. 32:01 states that —

“The accounts of the Board shall be audited annually by auditors appointed by the Board or under the supervision of the Auditor General in accordance with the Exchequer and Audit Act.”

20. The financial year of the NIBTT is the twelve (12) month period ending June 30. The Board’s financial statements for the years ended June 30, 2009 and June 30, 2010 were audited by the accounting firm, KPMG.

Related Bodies and Subsidiaries of the NIBTT

21. The National Insurance Appeals Tribunal (NIAT) is an independent body comprising eleven (11) members appointed by the President of the Republic of Trinidad and Tobago in accordance with Section 60 of the National Insurance Act Chap 32:01. This body functions as a tribunal of fact for persons aggrieved by decisions of the Board with respect to their claims.

22. National Insurance Property Development Company Limited (NIPDEC) is a fully owned subsidiary of the NIBTT. Its mission is to develop, manage and sell property, goods and services in partnership with the NIBTT and other organisations in Trinidad and Tobago utilising a project management approach to bring value to their shareholders and stakeholders.

23. The Home Mortgage Bank (HMB) is also a subsidiary of the NIBTT. Its purpose is to develop and maintain a mortgage market in Trinidad and Tobago, contribute to the mobilisation of long-term savings for investment in housing, support the development of a system of real property and housing finance, provide leadership in the home finance industry and promote growth of the capital market.

24. Finally, the Trinidad & Tobago Mortgage Finance Company Limited (TTMF) is a subsidiary of the NIBTT. Its mission is to provide mortgage financing for the purchase of residential properties.

Examination of the NIBTT

25. In the course of its examinations, the following issues were discussed:

New Insurance Plan

- i. The Committee expressed concern over the new system of a National Insurance Plan for self-employed persons which, proposes that age credits be utilized in the case of persons who are unable to accumulate a pension, to be financed either by the NIBTT or the Government of Trinidad and Tobago.

Corporate Communications Strategy

- ii. The Committee found that while the NIBTT has a Corporate Communications Department, the overall public education and awareness strategies used needed to be revisited as the Committee expressed dissatisfaction with the ability of these strategies to reach the public.

CLICO Balance

- iii. The Committee noted that the outstanding CLICO balance of over \$625 million was shown as a receivable on the accounts and expressed a concern whether this treatment would give an artificial representation of the state of affairs at the NIBTT. Members queried whether the amount ought to be written off instead of being treated as a bad debt. While the Committee was informed that the NIBTT was covered under the M.O.U issued by the Minister of Finance and the Economy, the Committee noted this response with some concern, for if the receipt of the outstanding amount was to be acquired via the Central Bank/Ministry of Finance and the Economy, it would have to be regarded as a liability on the public accounts.

Mortgage Portfolios

- iv. The Committee noted the poor performance of the mortgages portfolio, as the 2010 financials denoted a fifty per cent provision for losses in mortgage loans. The NIBTT responded that the issuing mortgages ceased in 1994 and those sums

represented on the books reflected unpaid mortgages by staff. The mortgages that were doing well were sold to the Home Mortgage Bank, a subsidiary of NIBTT. Members expressed concern that the statutory four (4) year limitation period within which a legal course of action could be pursued to recover, may have in most cases elapsed. Therefore the NIBTT should write off this debt in order for it to be removed from the accounts.

Audit Report Process

- v. The Committee questioned the audit report process which required audit reports to go through the Executive Director and not an Audit Committee. The Committee was informed that this issue was detected and the audit process was reviewed and thereafter amended so that the internal auditor now reports directly to the Audit Committee.

International Investments

- vi. The Committee noted there was no separate disclosure statement on the performance of international investments totaling to \$2 billion dollars and expressed a concern over the rising rate of the international investment portfolio from 10% in 2010 to 16% in 2011. The NIBTT stated that the increase was made due to a pre-existing high domestic concentration risk.
- vii. Additionally, the NIBTT indicated that an increase in the foreign investment portfolio to 20% would soon be requested from the Ministry of Finance and the Economy.

The Committee expressed some concern that the sole reliance on the advice of foreign-based Fund Managers, because this would necessitate an even closer level of monitoring by the NIBTT.

Green Fund Levy Tax

- viii. The Committee inquired into a concern raised by the Auditors, KPMG, that the NIBTT ought to be paying the Green Fund Levy Tax. NIBTT Officials explained that the Board only held funds in trust to pay benefits and the NIBTT was not

mandated to pay the Green Fund Levy Tax. However, given the concern raised by the auditors, the Board has taken steps to clarify this position with the Board of Inland Revenue/Ministry of Legal Affairs.

Matters before the NIAT

- ix. The Committee's attention was drawn to a significant increase in outstanding matters before the NIAT and was informed that this was due to the inability of the Tribunal to meet regularly. The NIBTT informed Members that the Tribunal now meets at least once per month. While the NIBTT engages in discussions from time to time with the NIAT, the Tribunal was under the remit of the Ministry of Finance and the Economy. It was reported that the Ministry of Finance and the Economy was currently re-examining the process and the NIBTT was assisting the Ministry.

Management of Palmiste Estate

- x. A concern was expressed on whether the NIBTT had addressed the issues associated with the management of the Palmiste Estate as identified by the auditors, who highlighted that the land was being encumbered by agricultural tenents and squatters. Members were informed that following discussions with NIPDEC, a follow-up valuation of the property was planned for 2013, with a deadline for completion of the exercise in 2014. The NIBTT officials further stated that the squatter regularization process would be conducted on an individual basis, to determine claims to lands based on the stipulated occupancy period.

Contributions to NIB Fund

- xi. The Committee reservedly noted a trend in the decline of contributors to the fund between 2009 and 2010 while the beneficiaries increased. Members further noted that if such a trend continues, investment income would eventually have to be used to contribute to the Fund.

Acting Arrangements

- xii. The Committee identified the employment status of several senior managers at the NIBTT, and noted that the Executive Director was Acting on the occasions when the NIBTT appeared before the Committee. Members were informed that while a recruitment exercise was conducted, the compensation packages offered were inadequate to attract the requisite senior management. Members expressed concern and highlighted that keeping persons in acting portfolios who were by the Board's own admission, doing an excellent job and who have been content with their remuneration packages, may create a contradictory impression.

26. Following its examination of NIBTT, this Committee wrote to the Board requesting particular information arising out of the discussions held. The information requested along with their responses are presented at paragraphs a-v below.

a. Of the investments made by the NIBTT, what percentage was invested in fixed deposits?

As at June 30, 2009, 3.05% of NIBTT's investment portfolio was in fixed deposits as follows:

INSTITUTION	AMOUNT \$	ACTUAL %
First Citizens Bank	187,469,618	39.47
Clico Investment Bank	156,396,498	32.93
AIC Finance Limited	3,564,030	0.75
Ansa Merchant Bank	50,592,252	10.65
Unit Trust Corporation	76,905,718	16.19

b. What was the situation with respect to coverage for self-employed persons as at 2009?

A draft Policy Framework and System Design document as well as a Profile on self-employed persons (SEP) were developed by the NIBTT. The profile was based on CSO data

for the period 2005-2008 and included information on SEP occupations, gender, age and income.

The draft Policy Framework and System Design were approved by the NIBTT's Board of Directors in July 2009.

These documents informed the work being undertaken by the International Labour Organisation (ILO) who was engaged as part of the Seventh Actuarial Review to conduct a feasibility study regarding NI coverage for SEP.

This study included general considerations on SEP coverage; population and economic projections; simulation of funds based on the proposed contribution rate; sensitivity tests (coverage rate, earning, transition provisions – age credits, retirement rate at 65); contribution rate; financial contribution by the government (co-funding of age credits, co-payment of NIS contributions of low income SEP, Senior Citizens Pension and NIS) and provisions of the NIS for self-employed. Work if the study was still in progress as at June 30, 2009.

c. What in 2009, was the position of the NIB with respect to the Board's involvement in the National Health Service?

In November 2006, Cabinet agreed to the implementation of a National Health Service (NHS). The Cabinet Minute No. 2933 dated November 09, 2006 indicated that NIBTT's role in the National Health Service was to manage key elements of the system including member registration and administration of the Fund, contract negotiation, utilization review and quality assurance.

NIBTT was represented on the Government appointed Steering Committee established to oversee the implementation of the system. During the first half of the 2009 financial year, NIBTT in conjunction with the Ministry of Health hosted the 3rd Caribbean Conference on National Health Financing Initiatives.

NIBTT has also supported other initiatives led by the Ministry of Health that are geared towards the implementation of the National Health Service and continues to stand ready to

work closely with Government in efforts targeted at improving the efficiency and quality of the country's health system.

d. How was the Pay for Performance System operating in 2009, and to what degree of success?

An Employee Performance Management System (EPMS) was implemented in 2009 and it was designed to allow the NIBTT to focus on employee growth and development, recognize performance and fix an element of compensation directly to performance.

A Pay for Performance Plan which is a component of the EPMS was approved by the Board of Directors on June 28, 2006 and Ministerial approval was obtained on November 01, 2007.

This Plan represented what may be deemed to be a modification of employees' terms and conditions. It was therefore necessary to engage in consultation and obtain buy-in from the representative union, the Public Services Association. After several attempts, the Union agreed in principle, in December 2008. However, the agreement was not documented and with the change of leadership of the Union, the process had to be re-commenced.

Since agreement from the Union was not obtained by June 30, 2009, the NIBTT obtained Ministerial approval to award employees an ex-gratia payment for attaining at least 80% of Corporate Performance Targets.

e. Was there any improvement with respect to reducing the accounting entry for discrepancies in the Government records in 2009?

In 2009, the NIBTT commenced work with the Government of Trinidad and Tobago in cleaning up the records of their various agencies so that they could begin submitting data online in respect of 53,367 employees under their computerized system. By June 30, 2009, the 37 Government agencies targeted received forms for the clean-up of the 11, 000 employees whose records did not match NIBTT's own in respect of NI number, name, maiden name or date of birth. As at June 30, 2009, three (3) institutions completed clean-up of their records.

f. What was the justification for the decision to take both shared and cash in the Royal Bank of Canada purchase of RBTT Bank and what were the respective breakdown amounts?

On October 01, 2007, RBTT Bank Limited (RBTT) and Royal Bank of Canada (RBC) entered into a combination agreement which resulted in RBC indirectly acquiring RBTT.

This amalgamation was conditional upon a 75% favourable vote by shareholders who had to accept RBC's offer for their sale of RBTT shares.

The offer to the NIBTT was non-discretionary and was as follows:

For each RBTT Ordinary Share, \$40.00 of consideration is calculated as follows:

Cash	-	TT\$24.00 (or its US equivalent)
RBC Shares	-	TT\$16.00 of RBC shares for each RBTT Ordinary share

The required voting bloc was obtained at the Special Shareholders Meeting of March 28, 2008.

RBC's share price at that time was \$48.98. The TT\$16.00 of an RBC share translated to 0.05306 RBC share based on an exchange rate of TT\$6.156 to US\$1.00

NIBTT's proceeds from the sale of its 69,377,607 RBTT shares totaled US\$450,781,951.50. It is broken down as follows:

Purchase of 3,681,175 RBC shares	US\$180,303,951.50 (Approx. TT\$1,139,881,581.38)
Cash	US\$270,478,000 (Approx. TT\$1,709,961,916.00)

g. For 2009, who were the employers who were not audited in excess of five (5) years and the reasons for this?

As at June 30, 2009, there were 1,031 active employers that had not been audited for a period of five (5) years.

These employers were in the following industries:

<u>Industry</u>	<u>Number</u>
Agriculture	8
Construction	50
Manufacturing	67
Mining and Quarrying	12
Utilities	9
Transportation and Communication	36
Service	849
Eg. Hotels, restaurants etc	

During the period 2004 to 2009, NIBTT's fifty four (54) Authorised officers were assigned to monitor approximately 25,500 employers. During the period 25,192 employees were audited. This figure however includes repeat audits from year to year of employers who were not compliant.

Authorised officers were also responsible for investigating a growing number of claims during the period since the number of insured persons assessing the system grew substantially as NIS benefits improved.

Changes in the economic climate forced the NIBTT to refocus its compliance strategies. In the earlier part of the period when the economy was growing, the NIBTT concentrated on ensuring new businesses, particularly in the construction sector, registered their employees and paid contributions on their behalf. In the latter part of the period greater focus was given to auditing employers in the energy, manufacturing, construction and tourism sectors.

h. What was the Policy in 2009 in relation to the periodic clearing of the Suspense Account balance in a timely and efficient manner?

The Suspense Account comprises mortgage pre-payments, mortgage payments that are less than a full mortgage installment, surplus funds from death proceeds of life insurance policies after liquidation of the indebtedness on the mortgage, surplus after liquidation of

the mortgage and proceeds consequent to HCA judgements and discontinuation of legal action.

The policy for clearing the suspense account entails the following:

Written instructions from the Mortgagors must first be obtained to initiate the clearing of the Account. Internal investigations are thereafter immediately conducted and a recommendation made to the Mortgage Manager with a view to refunding the excess money paid.

Some of the challenges faced in clearing this Account are as follows:

- 1) Letters of Administration or the Grant of Probate must be submitted to the NIBTT before surplus refunds from death proceeds are approved for payment to the estate where the mortgagor is deceased.
- 2) Surplus from sale of the mortgaged premises must be paid in the names of joint or single mortgagors as expresses in the Deed of Mortgage as a means of protecting the Board from any legal action.
- 3) Prepayments remain in the mortgagor's account until the said mortgagor instructs the Board on the way forward in treating with excess money held in their mortgage account.
- 4) Mortgagors who have standing orders or salary deductions are required to submit cancellations of these documents to ensure that no additional payments will be credited to the Board's account. Once the cancellation is received by the NIBTT, the refund is processed.

i. From whom did borrowings of \$150 million take place as reported and why?

Funds were borrowed from the Trinidad and Tobago Unit Trust Corporation (UTC) for the purchase of ordinary shares in the following entities:

<u>Shares</u>	<u>Cost</u>
RBL	\$218,186,084.15
Neal & Massy	\$ 96,726,257.25

The NIBTT had available cash totaling \$50million at the time that the decision was taken to make these purchases. A loan repayable in three (3) months over the period May 2009 to July 2009 was therefore accessed from UTC to facilitate the implementation of a Board decision for acquisitions of shares in the above mentioned entities.

j. Information with respect to the reason for a percentage past due for mortgages of 27% and a reported impairment percentage of 55% in 2009.

Impaired mortgages are not computed on the percentile basis as outline.

Following are the details on mortgages that are impaired:

Collectively Impaired

No.	Type of Impairment	Amount \$M	Comment
1.	Mortgages with legal problems	8.42	These mortgages may have no deeds or may have title problems or are foreclosures. Income can be recovered when problems are resolved.
2.	Mortgages with shortfall after sale	60.43	Properties sold by the NIBTT but the selling price was less than the capital amount outstanding. This figure was reduced to \$24.80M by December 2009
3.	Differences – FCB reconciliation	18.38	FCB managed NIBTT's mortgage portfolio up to June 2006. These differences are unreconciled items from 1998
4.	FCB mortgages payable/receivable	4.43	Overages and shortages reported by FCB up to 1999

Past due but not impaired

No.	Period	Amount \$M
1.	30-60 days	29.10

2.	60-90 days	4.36
3.	90-180 days	4.82
4.	180 days+	12.83

k. Did any actuarial review take place in 2009, when did the last review prior to 2009 take place and what is the Policy of the NIBTT with respect to conducting periodic actuarial reviews?

Actuarial reviews of the National Insurance System (NIS) are aimed at assisting the Government of Trinidad and Tobago and the NIBTT in ensuring the long-term financial, fiscal and economic viability of the NIS.

The last actuarial valuation of the NIS was undertaken in 2006 and represented the 7th Actuarial Review of the system as at June 30, 2005. Periodic conduct of Actuarial Reviews is in compliance with the statutory requirement specified in Section 70 of the National Insurance Act.

In accordance with Section 70 of the NI Act, Actuarial Reviews are required at five year intervals or such shorter intervals as the Board may determine.

The Eight Actuarial Review as at June 30, 2010 is currently in progress.

l. For how many years prior to 2009 were KPMG the Auditors of the NIBTT?

KPMG was first engaged by the NIBTT to complete the external Audit of its financial operations for the financial year ending June 20, 2008, one (1) year prior to 2009.

m. What system was used to record and report on the investment portfolio of the NIBTT?

NIBTT's Investment Department records and tracks investments using customized spreadsheets. Interest in respect of fixed income investments are accrued daily, aggregated monthly and posted to the automated General Ledger system.

Income in respect of equity and mutual funds is posted to the General Ledger as soon as it is received.

In 2009, the Investments Department prepared monthly reports on the Investment portfolio. These reports were forwarded to the Executive Manager Investments Finance and Business who prepared a summary that was included in the Executive Director's monthly report to the Board. Reports were also sent to the Investment Committee on investments requiring approval at that level.

In financial year 2010 the reporting system was revised to include quarterly reports to the Investment Committee.

n. Would the Auditors have reviewed those systems and procedures as part of the audit activity in 2009?

Both the Internal and External Auditors reviewed the transactions posted to the Accounting System and the Investments Spreadsheets to ensure that the recording and reporting of all investments were done in compliance with the NIBTT's Policies and Procedures, Investment Policy, Limits of Authority and Board decisions.

As part of the Audit, substantive tests were done against source document to verify accuracy in the posting of transactions. The Auditors also verified that reporting of investments was in accordance with the International Accounting Practices and Financial Reporting Standards.

o. What internal control mechanisms were in place at the NIBTT to ensure that the information presented to the Auditors was both credible and accurate?

Investments were approved in keeping with NIBTT's Policies and Procedures, Investment Policy, Limits of Authority and Board decisions.

The Executive Manager Investments, Finance and Business was required to ensure that the proper authorization had been obtained before recording and payment of the related investment.

Each investment entered into the system was then independently verified upon entry. Monthly schedules prepared for the update of the General Ledger were reconciled against the daily entries and signed off by the Senior Investment Analyst. Posting to the General

Ledger then completed by the Accounts Department, an independent group, upon satisfaction that the approved authorizations had been obtained.

On an annual basis the Auditors in giving an opinion on NIBTT's financial statements checked source documents for all investments and obtained the necessary confirmation from institutions in which the NIBTT placed investments.

Further the Auditors checked the schedules prepared by the Investments department to ensure that they balanced with the entries posted to the General Ledger.

p. What was the rate of interest on the investment bond held with UDECOTT and how did this compare with market rates at the time?

The Board of NIBTT approved investments in two (2) UDECOTT bonds during the 2009 financial year. They were as follows:

- i) US\$ UDECOTT - \$66,500,000.00 Interest rate 5.9522%
- ii) TT\$ UDECOTT - \$100,000,000.00 – Floating Interest rate Phase I 8.875%
- Floating Interest rate Phase II 8.70%

i) US\$ UDECOTT - \$66,500,000.00

The UDECOTT US\$ Loan was for an initial tenor of two (2) months at an interest rate of 5.952% and was secured by a Letter of Comfort from the Government of Trinidad and Tobago. This paper was issued to obtain financing for the construction of the Ministry of Education Tower and to repay the interim funding/bridge financing provided by Citibank.

The short term fixed deposit rates for US dollar cash at that time ranged from 2.46% to 5.65%.

This loan was repaid and a new bond issued in 2011 for a tenor of ten (10) years at an interest rate of 5.63% by Citicorp Merchant Bank Limited who had received a letter of Guarantee from the Ministry of Finance in this regard.

ii) TT\$ UDECOTT \$100,000,000.00

The UDECOTT Loan was for a tenor of eighteen (18) years, three (3) years in respect of Phase I, the pre-construction period and fifteen (15) years in respect of Phase II, the post-construction period. The floating interest rate on the first phase was 8.875%. The floating interest on the second phase was set at 8.70 at the time. This paper was issued to obtain financing for the construction of the Government Office Campus, outfitting of the buildings and related car park. The security on the loan was as follows:

- First mortgage lien over the property to cover the full extent of the facility amount
- Executed agreement by the Government of Trinidad and Tobago to sub-lease each building on the mortgaged property
- Executed agreement by UDECOTT and Republic Finance & Merchant Bank Limited to assign the lease rental payment to the lenders
- Assignment of the Contractor's All Risk Insurance Policy in an amount sufficient to replace the insured property and to cover the usual perils relating to pre-construction and construction activities.

During 2009 the interest on the market for fifteen-year TT\$ Government bonds ranged from 7% to 8.7%

q. Who determined the segmentation of investments depending on reward/risk? Was this decision made on an annual basis, quarterly basis etc? Was any monitoring of expected returns compared to actual returns conducted and if so, by whom?

NIBTT's investments were guided by the First Schedule of the National Insurance Act, the Investment Policy, Board decisions and procedures that were in place in financial year 2009.

The First Schedule of the National Insurance Act identifies the investments in which the NIBTT can participate while the Investment policy sets out the following:

- Objectives and guidelines for managing the Board's investment portfolio
- The Investment structure detailing permitted asset classes and expected allocation among asset classes

- The framework for a well-diversified asset mix that could generate acceptable long-term returns at a level of risk suitable to the NIBTT
- Reporting guidelines

Annually the Executive Manager responsible for Investments reviews the portfolio mix and based on the expected performance of the market during the year, prepares an Investment budget that includes the segmentation of the investment and risk/returns.

The annual Investment Budget for financial year 2009 was presented to the Board of Directors and approved.

Investments were then made and authorized in keeping with NIBTT's Policies and Procedures.

During the year yields on investments were continuously monitored by the Investments department and the Executive Manager Investments was advised monthly of the performance of the portfolio against budget. The Board of Directors was then advised of the performance of the overall yield against budget.

r. With specific regard to the \$256 million investment in CLICO Investment Bank (CIB), what was the rationale behind this decision, and who was involved in making that decision?

In financial year 2009 the NIBTT reinvested and placed short term deposits in thirteen (13) financial institutions, one of which was the Clico Investment Bank (CIB).

The interest rates being offered by CIB at the time for short term deposits were considered competitive. They ranged from 6.5% to 8.0% in TT investments and 5.75% to 6.5% on US investments depending on the tenor and sum invested.

Other TT investments made at the time in FCB, First Caribbean International Bank and Royal Bank provided interest rates that ranged from 2.5% to 7.25% depending on the tenor and sum invested.

These short term deposits placed/reinvested in CIB in 2009 were executed by the Executive Manager Investments, Finance and Business or the Executive Director and the Chairman if the Board or the Deputy Chairman of the Board.

The signatories were Mr. Ian Pemberton, Mr. Jeffrey McFarlane, Mr. Calder Hart, the Honourable Mr. Rudranath Indarsingh and Mr. Ruben McSween.

s. What was the individual yield on the local investments compared with the foreign investments and government securities, based on the overall yield of 6.8%?

The overall yield of 6.8% on the investments was broken down as follows:

Local Investments:

Type of Investment	Realized Yield %
Debentures (TTMF)	8.07
Local Equities	6.15
Mutual Funds	3.27
Fixed Deposits	4.30
Corporate Bonds	9.20
Mortgages	16.32
Mortgage Backed Bonds	6.43
Real Estate	14.65
Money Market Fund	5.97

Government Investments:

Type of Investment	Realized Yield %
Government Bonds	8.93

Overseas Investments:

These investments were traded daily in accordance with the agreement between NIBTT and the Investment firm. Total yield was reported on these investments in keeping with the International Accounting Standards, IAS 39 that required reporting the fair value gains and losses through the profit and loss statement.

Type of Investment	Total Yield %	Comment
Equities	1.38	Yield on realized income: 3.5% Yield on unrealized income: (2.47%)
Bonds/Funds	(13.50)	Yield on realized income: (9.22%) Yield on unrealized income: (4.28%)

t. How did the major components of the NIBTT investment portfolio perform, providing details?

The overall realized yield for financial year 2009 was initially projected at 14.2% and took into account the sale of NIPDEC and TTMF shares and the conversion of FCB preference shares to ordinary shares. These transactions however were not pursued.

Performance during financial year 2009 was also affected by the prevailing economic uncertainty at the time. Liquidity was high and interest rates were low affecting the overall return on investments.

The projected overall realized yield on other investments in the portfolio was 8009%. The actual overall realized yield was 6.8%.

The comparison of accrual return against projected return in financial year 2009 is shown below:

Local Investments:

Type of Investment	% of Portfolio	Realized Yield %	
		Actual	Projected
Debentures (TTMF)	9.5	8.07	7.32
Local Equities	26.78	6.15	38.53*
Mutual Funds	3.44	3.27	4.80
Fixed Deposits	3.05	4.30	5.74
Corporate Bonds	20.35	9.20	8.75
Mortgages	0.46	16.32	7.84
Mortgage Backed Bonds	0.72	6.43	6.75
Real Estate	0.92	14.65	18.95
Money Market Fund	0.01	5.97	6.49

Government Investments:

Type of Investment	% of Portfolio	Realized Yield %	
		Actual	Projected
Government Bonds	23.60	8.93	8.95

Overseas Investments:

These are held for trading investments. Shares and Bonds/Funds were traded daily.

Type of Investment	% of Portfolio	Realized Yield %	
		Actual	Projected
Equities	10.43	1.38	11.75
Bonds/Funds	0.74	(13.50)	15.13

- u. What/Where is the Authority for the justification of a policy of Privacy with respect to mortgages held with the NIBTT falling into default? If such authority is documented please provide the relevant evidence in support of that decision.**

The NIBTT relies on Section 30 (1) of the Freedom of Information Act Chapter 22:02 in not disclosing the personal information of mortgagors. This section states:

‘A document is an exempt document if its disclosure under this Act would involve the unreasonable disclosure of personal information of any individual (including a deceased individual)’

This information will be made available to our line Minister or the Public Accounts Minister under confidential cover if required.

- v. As at June 30, 2009 –**

- A. Did the mortgage component of the NIBTT persist with respect to new mortgage loan being granted?**
- B. Were any Board Members of the NIBTT recipients of loans/mortgages granted by NIBTT?**
- C. Was there any existing policy regarding the award of loans/mortgages to Members of the Board of the NIBTT?**

A. No new mortgage loans were granted after 1994. Some loans were restructured upon approval by the Investment Committee and Board of Directors as a recovery measure for bringing delinquent mortgages to a current status.

B. Our records do not indicate that Board Members of the NIBTT received loans/mortgages from the NIBTT.

C. There was no written policy with respect to the provision of loans/mortgages to Members of the Board of the NIBTT.

Chapter 3

Recommendations

27. The Committee makes the following *recommendations to the National Insurance Board* arising from the examination of the Audited Financial Statements for the years ended June 30, 2009 and June 30, 2010:

- i. **Issue:** Rollout of the new proposed scheme for self-employed persons
Recommendation: NIBTT must approach this proposal carefully to avoid any perception of inequitable treatment and discrimination which may potentially arise;
- ii. **Issue:** Public Awareness Strategy
Recommendation: The use of social media and other inexpensive methods of public promotion should be utilized within the NIBTT's Corporate Communications Department;
- iii. **Issue:** Outstanding CLICO Balance
Recommendation: The outstanding CLICO balance should be treated with as a financial permutation;
- iv. **Issue:** Mortgage Portfolios
Recommendation: The amounts associated with those unpaid mortgages should be removed from the books entirely, beyond being written off as a bad debt to provide a more accurate representation of the accounts.
- v. **Issue:** Local and International Investment Portfolios
Recommendation: The performance of the international investments made on behalf of the NIBTT should be disclosed separately from the local investment portfolio, as this portfolio represents a substantial sum of approximately \$2 Billion.
- vi. **Issue:** Payment of Green Fund Levy Tax

Recommendation: Immediately determine whether the NIBTT should pay Green Fund Levy Tax and upon determination, the necessary action if any should be taken accordingly.

vii. **Issue:** National Insurance Appeals Tribunal

Recommendation: The Ministry of Finance must swiftly conclude its re-examination of the review process of the National Insurance Appeals Tribunal in order to resolve the accumulated outstanding matters involving claims.

viii. **Issue:** Management of Palmiste Estate

Recommendation: NIBTT should diligently manage the revaluation exercise in order to maintain the established deadline of 2014.

ix. **Issue:** International Investment Portfolio

Recommendation: NIBTT should review the structure and policies of the Heritage and Stabilisation Fund, tailoring them to suit the NIBTT's portfolio objectives.

28. The Committee makes the following ***recommendations to the Minister of Finance and the Economy*** arising from the examination of the Audited Financial Statements for the National Insurance Board for the years ended June 30, 2009 and June 30, 2010:

i. **Issue:** Decline in Contributors to the Fund

Recommendation: Enact measures to address the funding gap with the pension plan, as well as engaging measures aimed at increasing the staffing and skill sets for establishment at the NIBTT.

ii. **Issue:** Employment Status of Senior Managers

Recommendation: The Minister of Finance should take decisive and timely intervention on the remuneration structure of senior management at the NIBTT, and take appropriate measures towards moving persons in senior management out of acting positions.

This Committee respectfully submits this Report for the consideration of the Parliament.

Sgd

.....
Mr. Colm Imbert
Chairman

Sgd

.....
Mr. Collin Partap
Member

Sgd

.....
Ms. Ramona Ramdial
Member

Sgd

.....
Mr. Anil Roberts
Member

Sgd

.....
Ms. Donna Cox
Member

Sgd

.....
Mr. Anand Ramlogan, S.C.
Member

Sgd

.....
Dr. Dhanayshar Mahabir
Member

Sgd

.....
Mrs. Raziah Ahmed
Member

Sgd

.....
Mrs. Diane Baldeo-Chadeesingh
Member

Sgd

.....
Mr. Vasant Bharath
Member

APPENDIX I

Minutes of Meetings

**THE PUBLIC ACCOUNTS COMMITTEE –
SECOND SESSION, TENTH PARLIAMENT**

**MINUTES OF THE FOURTH MEETING HELD ON TUESDAY, JANUARY 24, 2012 AT 10:42
A.M. IN THE ARNOLD THOMASOS ROOM (EAST) AND THE J. HAMILTON MAURICE
ROOM, OFFICE OF THE PARLIAMENT, TOWER D, INTERNATIONAL WATERFRONT
CENTRE, 1A WRIGHTSON ROAD, PORT OF SPAIN.**

Present were:

Mr. Colm Imbert	-	Chairman
Mr. Anil Roberts	-	Member
Miss Ramona Ramdial	-	Member
Mr. Anand Ramlogan	-	Member
Ms. Donna Cox	-	Member
Mr. Danny Maharaj	-	Member
Mr. Terrence Deyalsingh	-	Member
Mrs. Corinne Baptiste-McKnight	-	Member
Mr. Ralph Deonarine	-	Secretary
Ms. Keiba Jacob	-	Assistant Secretary
Miss Indira Binda	-	Research Officer

Absent were:

Dr. Rupert Griffith	-	Member (excused)
Mr. Vasant Bharath	-	Member (excused)

Also present were:

Representatives from the National Insurance Board of T&T

Ms. Lorna Charles	-	Executive Director
Miss Esther Charles	-	Executive Manager, Finance and Business (Ag.)
Mrs. Niala Persad-Poliah	-	Executive Manager, Legal Services (Ag.)
Miss Karen Gopaul	-	Executive Manager,

Representatives from the Ministry of Finance

- | | | |
|--------------------|---|---|
| Ms. Radika Deodath | - | Treasury Accountant, Financial Management Branch |
| Ms. Sandra Johnson | - | Treasury Executive I, Legislative Audit, Ministry of Finance, |

COMMENCEMENT

- 1.1 Upon attaining a quorum, the Chairman called the Meeting to order at 10:42 am.
- 1.2 The Chair informed Members that Dr. Rupert Griffith and Mr. Vasant Bharath had asked to be excused from the meeting.

EXAMINATION OF MINUTES OF THE THIRD MEETING

- 2.1 The Committee examined the Minutes of the third meeting held on Tuesday November 22, 2011. There being no omissions or corrections, the Minutes were confirmed on a motion moved by Mr. Danny Maharaj and seconded by Mr. Terrence Deyalsingh.

MATTERS ARISING OUT OF THE MINUTES

3.1 *Procurement of a financial consultant*

3.1.1 Under item 3.1.2 procurement of a financial consultant the Committee was informed by the Secretary that the sub-Committee met and agreed on the Terms of Reference, which was circulated to Members.

3.1.2 The Committee approved the Terms of Reference without amendment.

3.1.3 Members deliberated on how the Committee would best avail itself of the services of the Consultant. It was agreed that the Consultant would be engaged on the day of a meeting for thirty minutes prior to the start of the Committee meeting and examination, on an as-needed basis.

3.2 *Discussions with the Auditor General*

3.2.1 Discussions were held with the Auditor General with respect to the timely receipt of audited reports and measures that could be instituted to alleviate the current delays experienced.

3.2.2 The Auditor General was asked to prepare a report to the Committee, detailing those financial statements from 2008 forward that are in the possession of the Auditor General, those financial statements that are outstanding for 2008 forward, the action plan to deal with the outstanding accounts and what resource issues/constraints were experienced. The Auditor General agreed to submit the report within one week from the date of the meeting.

3.3 Meeting with the National Insurance Board of Trinidad and Tobago

The Committee was informed that the National Insurance Board of Trinidad and Tobago was expected shortly and proceeded to discuss a method of enquiry.

SUSPENSION

4.1 At 11:20 am, with no further business for discussion *in camera*, the Chairman suspended the meeting to resume in the J. Hamilton Maurice room *in public*.

RESUMPTION

5.1 The Chairman welcomed the officials from the National Insurance Board of Trinidad and Tobago who were present. He asked that introductions on all sides be made for the record.

5.2 The Committee stated its dissatisfaction with the absence of the members of the NIBTT Board of Directors who were invited to attend, and who gave prior notice of their attendance to the Committee.

5.3 The Committee engaged in discussions with the NIBTT on its Audited Financial Statements for the year ended June 30, 2009. The following issues were raised:

- i. CLICO Investment Bank Investment (see Verbatim Notes);**
- ii. Tenure of Management in acting positions;**
- iii. Availability of consolidated accounts;**
- iv. The ability of former Board Members to appear before the Committee;**

5.4 The following information was requested from the NIBTT:

- a) Of the investments made by the NIBTT, what percentage was invested in fixed deposits?**
- b) What was the situation with respect to coverage for self-employed persons as at 2009?**
- c) What in 2009, was the position of the NIB with respect to the Board's involvement in the National Health Service?**
- d) How was the Pay For Performance system operating in 2009, and to what degree of success?**
- e) Was there any improvement with respect to reducing the accounting entry for discrepancies in the government records in 2009?**

- f) What was the justification for the decision to take both shares and cash in the Royal Bank of Canada purchase of RBTT bank, and what were the respective break down amounts?
- g) For 2009, who were the employers who were not audited in excess of five years and the reason for this?
- h) What was the policy in 2009 in relation to the periodic clearing of the suspense account balance in a timely and efficient manner?
- i) From whom did borrowings of \$150 million take place as reported, and why?
- j) Information with respect to the reason for a percentage past due for mortgages of 27% and a reported impairment percentage of 55% in 2009.
- k) Did any actuarial review take place in 2009, when did the last review prior to 2009 take place and what is the policy of the NIBTT with respect to conducting periodic actuarial reviews?

ADJOURNMENT

6.1 There being no further business for discussion, the Chairman indicated to the NIBTT officials that the National Insurance Board would be soon invited to re-appear before the Committee, at which meeting the Board Members' attendance was expected.

6.2 The Chairman thanked those present for their attendance and adjourned the Meeting to a date to be fixed.

6.2 The adjournment was taken at 12:36 p.m.

We certify that these Minutes are true and correct.

CHAIRMAN

SECRETARY

January 31, 2012

**THE PUBLIC ACCOUNTS COMMITTEE –
SECOND SESSION, TENTH PARLIAMENT**

**MINUTES OF THE FIFTH MEETING HELD ON TUESDAY, MARCH 13, 2012 AT 10:15
A.M. IN THE ARNOLD THOMASOS ROOM (EAST) AND THE J. HAMILTON MAURICE
ROOM, OFFICE OF THE PARLIAMENT, TOWER D, INTERNATIONAL WATERFRONT
CENTRE, 1A WRIGHTSON ROAD, PORT OF SPAIN.**

Present were:

Mr. Colm Imbert	-	Chairman
Mr. Anil Roberts	-	Member
Miss Ramona Ramdial	-	Member
Mr. Anand Ramlogan, SC	-	Member
Ms. Donna Cox	-	Member
Mr. Vasant Bharath	-	Member
Mr. Danny Maharaj	-	Member
Mr. Terrence Deyalsingh	-	Member
Mrs. Corinne Baptiste-McKnight	-	Member
Mr. Ralph Deonarine	-	Secretary
Ms. Keiba Jacob	-	Assistant Secretary
Miss Indira Binda	-	Research Officer

Absent was:

Dr. Rupert Griffith	-	Member (excused)
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Also present were:

Representatives from the National Insurance Board of T&T

Mr. Sylvester Ramquar	-	Deputy Chairman
Mr. Seeram K. Maharaj	-	Director
Ms. Lorna Charles	-	Executive Director
Ms. Esther Charles	-	Executive Manager, Finance and Business (Ag.)
Mrs. Niala Persad-Poliah	-	Executive Manager, Legal Services (Ag.)
Miss Karen Gopaul	-	Executive Manager, Insurance Operations (Ag.)

Representatives from the Ministry of Finance

Ms. Radica Deonanan - Treasury Accountant, Financial Management Branch

COMMENCEMENT

- 1.3 The Chairman called the Meeting to order at 10:15 am noting that a quorum was achieved.
- 1.4 The Chair informed Members that Dr. Rupert Griffith had asked to be excused from the meeting.

EXAMINATION OF MINUTES OF THE FOURTH MEETING

- 2.1 The Committee examined the Minutes of the Fourth meeting held on Tuesday January 24, 2012.
- 2.2 Members asked that the Minutes be amended to show the inclusion of a request made by the Committee of the Attorney General to present his opinion as to whether or not the Auditor General should be auditing the National Insurance Board.
- 2.3 There being no further omissions or corrections, the Minutes were confirmed on a motion moved by Mr. Terrence Deyalsingh and seconded by Ms. Ramona Ramdial.

MATTERS ARISING OUT OF THE MINUTES

- 3.1 Under item 3.1.3, the Committee agreed that the consultant would be engaged on the recommendation of at least any one (1) Member of the Committee, based on the entity due for examination.
- 3.2 The Secretary reported that under item 3.2.2 correspondence was sent by the Auditor General to that effect, which was passed on to the Chairman. Further the Secretary expressed an opinion that the content of the documents did not appear to be up to date, as well as the Auditor General's response did not appear to address all matters asked by the Committee.
- 3.3 The Committee agreed that the Auditor General's response should be circulated to Members, notwithstanding the concerns, and also that the Secretary write the Auditor General, expressing the Committee's need for a more comprehensive, up to date response.
- 3.4 The Committee scrutinized the response from the National Insurance Board with respect to information requested when the NIBTT appeared on 24.01.12 and determined that there were no further issues arising from the response..

- 3.5 The Committee then discussed its method of enquiry into the imminent examination of the accounts of the Heritage and Stabilization Fund for the years 2008, 2009 and 2010.
- 3.6 The Committee was informed that both the National Insurance Board of Trinidad and Tobago and the Board of the Heritage and Stabilization Fund were expected shortly and agreed to suspend the *in camera* meeting in order to hold its public examination of the accounts of these entities.

SUSPENSION

- 4.1 At 10:47 am, the Chairman suspended the *in camera* meeting to resume in the J. Hamilton Maurice Room *in public*.

RESUMPTION

Examination of the National Insurance Board of Trinidad & Tobago on the 2009 financials:

- 5.1 The Chairman welcomed the officials from the National Insurance Board of Trinidad and Tobago and asked that introductions be made for the record.
- 5.2 The Committee held follow-up discussions with the NIBTT on matters which the Committee previously at a meeting held on January 24, 2012 sought further information on. Resultantly, the following new issues arose from the examination:
- i. Generation of investment income through loans to state entities;
 - ii. Executive responsibility for investment decisions;
 - iii. Performance of the entire investment portfolio and by comparison of local equity investments to foreign and corporate/government securities;
 - iv. Rationale for asset base holdings and any associated benchmarks;
 - v. National Insurance coverage for self-employed persons;
 - vi. Posting of personnel to senior management positions;
 - vii. Auditing of employers who have not been audited for extensive periods (exceeding five years);
 - viii. Public awareness strategy/programme of the NIBTT;
 - ix. Management of the mortgage portfolio by the Trinidad and Tobago Mortgage Finance Company and the Home Mortgage Bank;
 - x. Treatment of mortgage loans which have defaulted;

xi. Status of the Audited Financials for the year ended 2010 .

5.3 The following information was requested from the NIBTT:

At the financial year end for 2009,

- a) **For how many years prior to 2009 were KPMG the Auditors of the NIBTT?**
- b) **What system was used to record and report on the investment portfolio of the NIBTT?**
- c) **Would the Auditors have reviewed those systems and procedures as part of the audit activity for 2009?**
- d) **What internal control mechanisms were in place at the NIBTT to ensure that the information presented to the Auditors was both credible and accurate?**
- e) **What was the rate of interest on the investment bond held with UDeCoTT, and how did this compare with market rates at that time?**
- f) **Who determined the segmentation of investments depending on reward/risk? Was this decision made on an annual basis, quarterly basis etc? Was any monitoring of expected returns compared to actual returns conducted and if so, by whom?**
- g) **With specific regard to the \$156 million investment in Clico Investment Bank (CIB), what was the rationale behind this decision, and who was involved in making that decision?**
- h) **What was the individual yield on the local investments compared to the foreign investments and government securities, based on the overall yield of 6.8%?**
- i) **How did the major components of the NIBTT investment portfolio perform, providing details?**
- j) **What/where is the authority for the justification of a policy of privacy with respect to mortgages held with the NIBTT falling into default? If such authority is documented, please provide the relevant evidence in support of that decision.**
- k) **As at September 30, 2009 –**
 - a. **Did the mortgage component of the NIBTT persist with respect to new mortgage loans being granted?**
 - b. **Were any Board Members of the NIBTT recipients of loans/mortgages granted by the NIBTT?**
 - c. **Was there any existing policy regarding the award of loans/mortgages to Members of the Board of the NIBTT?**

5.4 The Chairman informed the officials from the NIBTT that they would be written to by the Committee Secretary with the additional questions for answer and upon receipt of the 2010 financials, the Committee would communicate with the Board accordingly.

SUSPENSION

- 6.1 The Chairman suspended the Meeting for five minutes to allow for the meeting with the Board of the Heritage and Stabilization Fund (HSF). The suspension was taken at 11:54 am. (HSF discussions edited due to HOR Standing Order 81).

ADJOURNMENT

- 7.1 The Chairman indicated to all present that in the interest of time and the imminent sitting of the Senate that the proceedings had to be adjourned.
- 7.2 The Chairman thanked the officials from the Board of the Heritage and Stabilization Fund, indicating that they would receive communication from the Secretary on the information requested and also whether the Committee would wish to meet with them again.
- 7.3 The Chairman thanked everyone else present for their attendance and adjourned the Meeting to a date to be fixed.
- 7.4 The adjournment was taken at 12:38 p.m.

We certify that these Minutes are true and correct.

CHAIRMAN

SECRETARY

March 26, 2012.

THE PUBLIC ACCOUNTS COMMITTEE
THIRD SESSION, TENTH PARLIAMENT

MINUTES OF THE ELEVENTH MEETING HELD ON TUESDAY, JANUARY 29, 2013 AT 10:40 A.M. IN THE ARNOLD THOMASOS ROOM (EAST), LEVEL 6, AND THE J. HAMILTON MAURICE ROOM, MEZZANINE LEVEL, OFFICE OF THE PARLIAMENT, TOWER D, INTERNATIONAL WATERFRONT CENTRE, 1A WRIGHTSON ROAD, PORT OF SPAIN.

Present were:

Mr. Colm Imbert	-	Chairman
Miss Ramona Ramdial	-	Member
Mr. Anil Roberts	-	Member
Mr. Collin Partap	-	Member
Miss Donna Cox	-	Member
Mr. Anand Ramlogan, SC	-	Member
Mr. Jamal Mohammed	-	Member
Mr. Terrence Deyalsingh	-	Member
Mrs. Corinne Baptiste-McKnight	-	Member
Mr. Ralph Deonarine	-	Secretary
Miss Candice Skerrette	-	Asst. Secretary
Ms. Candice Williams	-	Graduate Research Officer
Mr. Leslie Ramcharitar	-	Financial Consultant – Baker Tilly Montano Ramcharitar

Absent was:

Mr. Vasant Bharath	-	Member (excused)
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Also present were:

OFFICIALS FROM THE NATIONAL INSURANCE BOARD OF TRINIDAD & TOBAGO

Mr. Adrian Bharath	-	Chairman
Mr. Ruben McSween	-	Director
Mr. Harry Hospedales	-	Director
Ms. Karen Gopaul	-	Exec. Director (Ag.)
Ms. Esther Charles	-	Exec. Manager (Ag.), Finance & Business
Mr. Ashook Balroop	-	Exec. Manager (Ag.), Legal Services
Ms. Michelle Chong Tai-Bell	-	Actuary

OFFICIALS FROM THE MINISTRY OF FINANCE

Ms. Shahida Emamdeen	-	Comptroller of Accounts Department
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COMMENCEMENT

- 1.5 The Chairman called the meeting to order at 10:40 a.m. and proceeded immediately on to the next agenda item – confirmation of Minutes of the Tenth (10th) Meeting;

EXAMINATION OF MINUTES OF THE TENTH MEETING

- 2.1 The Committee examined the Minutes of the Tenth Meeting held on Tuesday November 27, 2012.
- 2.2 There being no omissions or corrections, the Minutes were confirmed on a motion moved by Mr. Terrence Deyalsingh and seconded by Mrs. Corinne Baptiste McKnight.

MATTERS ARISING OUT OF THE MINUTES

3.1 At paragraph 3.2.5 the Chairman advised that the Committee requested legal opinions from both the Solicitor General and Attorney General and had received responses from both. Members engaged in discussions on the content of the response from the Solicitor General as well as a way forward. Having considered the available options, both legal and practical, the Committee agreed that the Chairman would liaise with the Attorney General and communicate thereafter with the TTUTC officials.

3.2 At paragraph 6.1, the Chairman informed Members that the workshop was a positive one, however there was a general feeling by the delegation that the trip was too short; the conclusion was somewhat abrupt, a very small time overrun on a session resulted in the Committee not being able to witness the hearing of the UK PAC firsthand, and with such a compact schedule, participants were not able to experience much outside of the UK Parliament. The Chairman summarized that the UK experience was useful in identifying gaps with regard to the efficiency, support from the Auditor General, staff support, and priority of focus in comparison to the present PAC system in Trinidad & Tobago. The Chairman also stated that he was asked to look into convening/hosting a Caribbean workshop in 2013 with a view to modernizing and moving the PAC forward.

OTHER BUSINESS

4.1 The Chairman alerted Members to the agenda item relating to increasing the legal fee limit as requested by the Board of the Heritage and Stabilization Fund. The Attorney General was called upon by the Chairman to brief the Committee as to why the HSF Board requested an increase. Thereafter the Committee, having no objection to the request, asked the Secretary to convey such to the HSF Board, on condition that the HSF was wholly satisfied with the opinion and supplementary opinion received.

4.2 Members next held discussions on the main agenda item – determining the method of enquiry for the examination of the National Insurance Board of T&T on the Audited Financial Statements for the year ended June 30, 2010. Discussions were held with the assistance of the Mr. Leslie Ramcharitar of Baker Tilly Montano Ramcharitar, the financial consultants contracted by the Committee.

SUSPENSION

5.1 At 11:19 a.m., the Chairman suspended the *in camera* meeting to resume *in public*.

RESUMPTION

6.1 The Chairman called the public examination to order at 11:26 a.m.

6.2 EXAMINATION OF THE NATIONAL INSURANCE BOARD OF TRINIDAD AND TOBAGO (*in public*)

6.2.1 Upon calling the meeting to order the Chairman asked the invited officials to introduce themselves. Following this, the Chairman introduced the Members of the Committee, as well as other officials present.

6.2.2 The following issues arose from the discussions held with the NIBTT officials:

a) *Outstanding CLICO balance*

The Committee noted that the outstanding CLICO balance of over \$625 million was shown as a receivable on the accounts and expressed a concern whether this would give an artificial representation of the state of affairs at the NIBTT. Members also queried whether the amount ought to be written off instead as a bad debt and asked on the resultant impact of such an accounting adjustment. The NIBTT officials stated that it was their belief that they were covered under the M.O.U issued by the Minister of Finance and the Economy which also covered other creditors. *The Committee noted this response with some concern, for if the receipt of the outstanding amount were to be sought via the Central Bank/Ministry of Finance and the Economy it would have to be regarded as a liability on the public accounts.*

b) *Short-term deposits*

The NIBTT officials were asked whether the previously existing loophole that allowed for recurring short-term deposit investments to become long-term investments was remedied. The Committee was informed that it was.

c) *Portfolio yield differences*

The Committee raised the question of what accounted for the difference between the projected portfolio yield of 9% and the actual yield of 6%, representing an approximate \$500 million shortfall. The NIBTT officials stated that the projected yield of 9% was set based on the required average rate of return of 9.3% as stated in the Seventh Actuarial Review (2005-2010).

d) *International investment portfolio*

Members queried why there was no separate disclosure statement on the performance of the international investments amounting to \$2 billion. The Committee was informed that the information could be made available separately in future. A concern on the rising rate of the international investment portfolio from

10% to 16% was also expressed, to which the NIBTT officials stated that the increase was made due to what they believed was a pre-existing high domestic concentration risk, and further to this the NIBTT would be soon requesting from the Ministry of Finance and the Economy an increase in the foreign investment portfolio to 20%.

e) *Mortgages portfolio*

The Committee enquired as to the poor performance of the mortgages portfolio, given that the 2010 financials denotes a 50% provision for losses in mortgage loans. The Officials responded that the NIBTT ceased issuing mortgages in 1994 and those sums represented on the books would be for mortgages that did not perform well and those for in-house staff, since the 'good' mortgages were sold to the Home Mortgage Bank. Members expressed a concern that the statutory four (4) year limitation period within which a legal course of action could be pursued to recover may have elapsed, and any of the amounts so associated ought to be removed from the books entirely. The Committee advised that doing so would not only help to shed 'dead weight' from the NIBTT, but also provide a more accurate representation of the accounts.

f) *Decline in net contribution after benefit emoluments*

The Committee noted that in 2010 there was a decline of \$19 million in net contributions after benefit payments, further to a previous decline of \$40 million in 2009 and enquired on the reasons for this.

g) *Internal Audit Process*

The Officials were questioned as to why the audit report goes through the Executive Director and not an Audit Committee. Members were informed that since then, the audit process was reviewed and amended so that the internal auditor now reports directly to the Audit Committee.

h) *National Insurance Appeals Tribunal (NIAT)*

The Committee enquired on the drastic increase in outstanding matters before the NIAT and was informed that this was due to a period of the Tribunal not being able to meet, however the Tribunal now meets at least once per month. The NIBTT officials informed Members that while the NIBTT engages in discussions from time to time with the NIAT, the Tribunal was under the remit of the Ministry of Finance and the Economy. The NIBTT officials stated that the Ministry of Finance and the Economy was currently re-examining the process and the NIBTT was assisting the Ministry in that regard.

i) *Green Fund Levy Tax*

Members questioned whether the NIBTT had clarified its position with respect to this and were informed that the overarching position was that the NIBTT was not mandated to pay it, since the Board only holds the funds in trust to pay benefits. However, the Committee was informed that given the concern raised by the auditors, the Board has taken steps to clarify this position with the Board of Inland Revenue/Ministry of Legal Affairs.

j) Property Management issues re: Palmiste Estate

A concern was raised whether the NIBTT had addressed the issues associated with the management of the Palmiste Estate as identified by the auditors. Members were informed that following discussions with NIPDEC, a follow-up valuation of the property was planned for 2013, with a deadline for completion of the exercise of 2014. The NIBTT officials further stated that the squatter regularization process would be conducted on an individual basis, to determine claims to lands based on the stipulated occupancy period.

k) Portfolio Management of the Fund

Further to the point raised at *d)* above, the NIBTT stated that the Fund Managers were recruited to oversee the International Investment Portfolio guide the decision-making process and the NIBTT would rely on their advice to make these decisions. Members expressed a concern that such reliance necessitates an even closer level of monitoring of the Fund Managers. The Committee suggested that an expert from abroad could also be employed in-house, as an alternative.

l) Net decline in contributions

The Committee reservedly noted a trend in the decline of contributors to the fund between 2009 and 2010 while the beneficiaries increased. Members further noted that if such a trend were to hold, there would come a point where investment income would be used to contribute to the Fund. The officials stated that there was a funding gap with the pension plan, and measures were being identified to address both this as well as the general issue of increasing the staffing and skill sets. The officials requested the assistance of the Committee in this regard. The Chairman gave an undertaking that the Committee would use the means available to it and communicate with the Ministry of Finance and the Economy in this regard.

m) Staffing of the Senior Management within the organization

The Committee identified that the employment status of several senior managers at the NIBTT, including the Executive Director was Acting and enquired on such. Members were informed that while a recruitment exercise was conducted and with a report in hand over a year ago, the challenge has been the compensation package offered.

The officials stated that this package was not attractive enough to gainfully employ persons with the required skill sets, most of these persons already having been employed in the private sector. Members admonished the Board Members that keeping persons in acting portfolios who were doing by their admission, an excellent job and who have been content with their remuneration packages, may create an contradictory impression.

n) Public Awareness and Education

The NIBTT officials were asked to note a concern by Members that it seemed many citizens did not understand what benefits they are entitled to, and how to access these benefits and further asked the officials to deal with this, which may perhaps be at a legislative level. The Committee recommended that a person(s) familiar with the legislation and capable of interpreting the essential and basic tenets of it be

recruited, with a view to assisting those involved to have a clear understanding in order to make assessments and decisions in a timely and effective manner.

o) Status of Audited Financials for 2011 & 2012

The Committee enquired on the 2011 Audited Financial Statements, noting that these were approximately fifteen months overdue. The NIBTT Executive Director informed Members that the delay was due to the absence of a Board of Directors for a period of time. The Committee was informed however that the Audited Financials for 2011 and 2012 were completed and the management letters for these years was being finalized. The NIBTT officials gave an undertaking that within the next month or two the Audited Financial Statements for both years should be in the possession of Parliament.

ADJOURNMENT

7.1 There being no further matters for consideration, the Chairman adjourned the meeting to a date to be fixed.

7.2 The adjournment was taken at 12:53pm.

We certify that these Minutes are true and correct.

CHAIRMAN

SECRETARY

March 01, 2013

APPENDIX II

Notes of Evidence

**VERBATIM NOTES OF THE PUBLIC ACCOUNTS COMMITTEE
HELD IN THE ARNOLD THOMASOS ROOM (EAST), AND J.
HAMILTON MAURICE ROOM, 2ND LEVEL, MEZZANINE FLOOR,
TOWER D, THE POS INTERNATIONAL WATERFRONT CENTRE,
1A WRIGHTSON ROAD, PORT OF SPAIN, ON TUESDAY,
JANUARY 24, 2012, AT 10.42 A.M.**

PRESENT

Mr. Colm Imbert	Chairman
Mr. Anand Ramlogan SC	Member
Mr. Anil Roberts	Member
Mr. Danny Maharaj	Member
Ms. Ramona Ramdial	Member
Mrs. Corinne Baptiste-Mc Knight	Member
Miss Donna Cox	Member
Mr. Ralph Deonarine	Secretary
Miss Keiba Jacob	Procedural Clerk
Miss Indira Binda	Graduate Research Asst.

AUDITOR GENERAL

Mrs. Sharman Ottley	Auditor General
Ms. Lorelly Pujadas	Asst. Auditor General

ABSENT

Dr. Rupert Griffith	Member (Excused)
Mr. Vasant Bharath	Member

Officials of the National Insurance Board

Ms. Lorna Charles	Executive Director (Ag.)
Miss Esther Charles	Executive Manager, Finance and Business (Ag.)
Mrs. Niala Persad-Poliah	Executive Manager, Finance and Business (Ag.)
Miss Karen Gopaul	Executive Manager, Insurance Operations

Representatives from the Ministry of Finance

Ms. Radika Deodath	Treasury Accountant, Financial Management Branch
Ms. Sandra Johnson	Treasury Executive I, Legislative Audit, Ministry of Finance

Mr. Chairman: Good morning, sorry for keeping you waiting, we had a little private meeting first to discuss some matters. Thanks for coming. Who do we have here from the National Insurance Board, could you identify yourselves please?

[*Introduction*]

I am Lorna Charles, the Executive Director, and before I go any further I just want to apologize for the absence of our directors, they were unfortunately unable to come today.

Mr. Chairman: All of them?

Ms. Charles: It was intended that two directors would represent the board and they were both—unfortunately they apologized late yesterday.

Mr. Chairman: Okay, would you please let me them know that we expect them to show up on the next occasion, because it is unfair to the management to answer all the questions, the board needs to be present as well. So, let them know we are not happy at all. At least I am not. I do not know if I am speaking for—

Members: Yes.

Mr. Chairman: Yes. And tell them that it is very important that they come, we expect them to come. Sorry, could you go on introducing yourselves please.

[*Introduction*]

Ester Charles, Executive Manager, Finance and Business, (Acting); Niala Persad-Poliah, Executive Manager, Legal Services, (Acting); Karen Gopaul, Executive Manager, Insurance Operations, (Acting).

Mr. Chairman: And I guess that is something we will deal with in due course because we have so many actors.

Okay, let us get straight to the meeting. Let me introduce the committee, we would start on our left. Would you introduce yourself, Sir?

[*Introduction*]

Mr. Chairman: Representatives from the Ministry of Finance.

[*Introduction*]

Mr. Chairman: Thank you very much. Okay, let us go straight into the meeting. We have before us the accounts of the National Insurance Board for the year 2009.

11.30 a.m.

Mr. Chairman: Could I just ask when is your financial year and when does it end?

Ms. L. Charles: It is July—June each year.

Mr. Chairman: So this would be June 30, 2009?

Ms. L. Charles: Yes.

Mr. Chairman: We also have a management letter from KPMG before us, and I would invite Members of the committee to ask any questions that you wish on either the accounts themselves or the management letter. Who would like to go first?

Mr. Ramlogan, SC: Thank you very much. I noticed that the auditors have not qualified their opinion, but they made a note and it is the way they phrased it, “emphasis of matter”. I first wanted in my own mind to understand that terminology. What does that mean? Because I know that—I am not a financial person, but I know what a management letter means. Is this some intermediate term that they used?

Ms. L. Charles: This was an issue—a CIB investment—[*Interruption*]

Mr. Ramlogan, SC: Yes.

Ms. L. Charles: —and they felt that in their minds there were some questions in terms of the ability of the NIB to collect on that investment, given what had happened with CIB at that time. However, because we were vigorously pursuing that investment, they also felt that it was highly probable that we would be able to collect on it. It was stated in the accounts. There was no need to qualify the accounts, because they were, in fact of their opinion giving a fair view of what was happening at the National Insurance Board.

Mr. Ramlogan, SC: Okay. I noticed that whilst these deposits were represented by CIB as being secured investment instruments, there is no note anywhere of the security.

Ms. L. Charles: Yes. When we met with the Central Bank after that issue with CIB they indicated to us that in the records of CIB, there was no indication of what the specific securities were that had been assigned to this deposit.

Mr. Ramlogan, SC: But would that not be ex post facto analysis when what would be required would be something more proactive from the investing institutions? In other words, here I am about to invest in what is described as secured short-term deposits. Would it not be up to me

before I invest in secured short-term deposits to ensure that it is in fact secured? What I am asking—the question is, what is the security?

In other words, part of the analysis that would establish the integrity of the investment that I am about to embark upon, must or should in my view respectfully include, an analysis of—well what are you offering as security for these secured short-term investments? The reason I say that, is because I may be more persuaded to invest in something that is backed up by a security that I feel is much more solid than something that is backed up by a security that is not as solid, something that is liquid or something that is illiquid as the case may be. And therefore, I do not understand why it is after the fact, it would emerge that there was in fact nothing assigned in Clico's books as security for these short-term investments. What about our due diligence? What about NIB's due diligence that would have had to look into, what was the security that was being offered to back up these short-term investments?

Ms. L. Charles: We reviewed the documentation on these deposits very extensively to support the matter that was heard before the court and also to inform our board on how these deposits were made. The records will show that the procedure that was followed in the NIB, was the procedure as it relates to deposits, any kind of deposits in any financial institutions. In making deposits, the NIB would rely on the financial regulations and the regulators, and therefore make the deposits. This was heard from us. We went through this entire matter with the court and the court agreed with us that in fact, these were fixed deposits and we had followed the procedures that are laid down for us to follow with respect to deposits.

Mr. Ramlogan, SC: That is a court matter which pronounces after the fact. It is described as secured short-term deposits. The fact that in substance, later on, due to expert legal analysis one can say in substance it could be termed or viewed as a fixed deposit so we can wriggle it into a set procedure that is designed specifically to deal with fixed deposits. It does not really answer the question up front. The question is, you are about to invest in something that is described as secured short-term deposits, it does not say fixed deposits. It says secured short-term deposits. If I ask you now to invest in a secured short-term deposit, what would be your procedure?

Ms. L. Charles: Having had this experience? [*Interruption*]

Mr. Ramlogan, SC: No, I am talking about even back then.

Ms. L. Charles: Even back then?

Mr. Ramlogan, SC: Even back then. As a matter of common sense a fixed deposit is a fixed deposit. A secured short-term deposit to my mind connotes something different to a fixed deposit. So that it must be that at the time when they were about to invest in a secured short-term deposit they would have been a particular procedure, some criteria, some policy to be followed which must surely be different if they are going to invest in a fixed deposit, because their names are different and they suggest different things.

In other words, what I am asking Ma'am, it may not be for you I do not know how long you have been there and of course you know—but the investment committee that takes these decisions—is there an investment committee?

Ms. L. Charles: There is an investment committee of the board, yes.

Mr. Ramlogan, SC: Would that investment committee as part and parcel making such a decision, not have been required to perform some form of due diligence?

Ms. L. Charles: The fixed deposits—and you are correct. The people here, none of us were involved in the actually transaction. *[Interruption]*

Mr. Ramlogan, SC: Well that is why you could speak freely. Yes.

Ms. L. Charles: —but we would have reviewed it extensively to see what happened and audit it an so on, and that particular investment followed the procedure for fixed deposits which was, either the Executive Manager investments—*[Interruption]*

Mr. Ramlogan, SC: That is correct.

Ms. L. Charles: —or the Executive Director would be the first signatory, and the second signatory would have been the Chairman or the Deputy Chairman in his absence. So it would have been based on a review of the transaction by those parties.

Mr. Ramlogan, SC: So they adopted a procedure that was designed for fixed deposits.

Ms. L. Charles: Yes.

Mr. Ramlogan, SC: So that means the checks and balances that they would normally have for something that is not a fixed deposits investments were really not carried out.

Ms. L. Charles: Those would not have been carried out.

Mr. Ramlogan, SC: That is what I thought.

Ms. L. Charles: It was a fixed deposit procedure.

Mr. Ramlogan, SC: That is what I thought. That is the point. Have we changed—as a result of that in terms of when we do due diligence?

Ms. L. Charles: Most definitely. Because of course you know it was quite an effort to get to deal with this matter. And with the new board coming in at the end of 2010, the investment policy was suspended and all matters now go to the investment committee; and the investment committee is meeting twice per month to look at all short and long term matters, and we are in the process of developing a more robust investment policy.

Mr. Ramlogan, SC: Just to dimension the size of the problem for members of the committee, the short-term deposits as at June 2009, amounted \$662 million. It is \$662.5 by my calculation really. So that the short-term deposits they are quite significant. The investment note securities, what realistically is the position with those? I mean is there any realistic—the reason I asked you, because when I looked at the 2009, statements I was looking for some note with respect to the impairment of this particular investment. I see no note of any impairment, but the reality is those INCs really, you know, they are probably worthless, because they not really falling—what are they back by and how are we going to get back their money?

Ms. L. Charles: We are going to aggressively pursue getting the money back. *[Interruption]*

Mr. Ramlogan, SC: From Clico?

Ms. L. Charles: We won the matter, and we are aggressively pursuing it. There are assets and in fact, we had argued for some time against the winding up and then we agreed to it. We are still looking at the auditor's report as to whether the write-off indicated in that report have been substantiated. So we will pursue it. It is our responsibility at this time; those of us who are here now to pursue that debt and we will do that.

Mr. Ramlogan, SC: You see, Ms. L. Charles I understand what you are saying and you are

right. That is fact your responsibility. But I want to approach it from a slightly different perspective. Thus far, I do not think that the “bail-out plan” will cover the INC. And I do not know how much money you have spent if you can quantify it, which is something I would like to know myself personally, how many legal fees and how much, not just in terms of legal fees but in terms of actual time invested. How much you would put in terms of a dollar value that you spent thus far in trying to recover that money?

Mr. Chairman: Before you answer that I just want to establish some procedure. We are dealing with the 2009 accounts.

Mr. Ramlogan, SC: Yeah, sure.

Mr. Chairman: The litigation and so on took place in 2010 and 2011. Am I not correct? So when we get to the 2010/2011 accounts we could deal with those issues. I am not going to restrain you however in terms of asking your questions, but just recognize that we are dealing with 2009.

Mr. Ramlogan, SC: No, no, I hear you. You see the reason I raised it is because even in the 2009, you are not seeing any impairment or any notation. That is the point I am making now. To bring it forward to present day time. I want to make sure that we are not going to spend, because a lot of institutions are guilty of this. They spend a lot of money chasing a ghost that they know does not exist and they are not going to catch, but they are still spending good money behind bad. Look at the end of the day you need to take clinical practical assessment. Is it that this is a bad debt? Is it that keeping it on your books is going to create another Clico type situation where it artificially inflates or exaggerates the position of NIB, cause it shows an investment still on NIB books, that they are telling us they hope to recover their pursuing, but really and truly everybody on the ground know they are not going to get back. And if that is so, that has implications for present day financial health status, but it is also rooted in the 2009, report which may influence on how they go about in the future. So I just wanted to make that point.

Mr. Chairman: Just let me come in here. The attorney general is making the point that there is—he cannot find any provision for impairment of this investment. Was there a provision in the 2009, accounts?

Ms. L. Charles: No, no there was no provision.

Mr. Chairman: Why not?

Ms. L. Charles: This matter at that time was of course being considered by the management and the board and we went to the court in November 2009, and therefore, it was felt at that time that we were pursuing the matter and we were going to do everything possible to collect.

11.45 a.m.

I hear the Attorney General and, of course, I respect his view, but at that time the National Insurance Board felt—

Mr. Chairman: So at that time you did not think it was necessary to show any impairment of this investment. There was a belief that you, in all likelihood, would recover this money at that time.

Ms. L. Charles: Yes, and we were still having discussions, actually, with the Central Bank and the Ministry of Finance.

Mr. Chairman: I quite understand. So when we get to the 2010 accounts, AG, when the thing, you know, became ripe, and the thing really got into the public domain, then you can ask those questions.

Mr. Ramlogan SC: Sure. I mean, we are dealing with, roughly, \$627 million worth of investments which roughly represents about 25 per cent of your total annual contributions, and the reason this is important, even from 2009, is a significant amount of money—25 per cent—was invested in one institution, and one of the basic things you are taught about managing risk is to diversify your investment portfolio. That would be true more so for an institution such as NIB, which is the largest pension institution in the country. But more importantly, the law regulates it. Miss Charles, I am interested in knowing whether or not these investments were made in accordance with Schedule 1 of the Act.

Mr. Chairman: Attorney General, you want to help us here? What is in Schedule one?

Mr. Ramlogan SC: I think Ms. Charles would know.

Ms. L. Charles: Schedule 1 of the Act identifies the securities in which the National Insurance Board may invest. In our opinion, this was in accordance with Schedule 1, and that matter, was actually aired as well, because it was a fixed deposit in Trinidad and Tobago. So in that respect, yes.

Mr. Chairman: So you are saying that in Schedule 1, the NIB is permitted to invest in fixed deposits in Trinidad and Tobago.

Ms. L. Charles: Yes.

Mr. Chairman: And this was viewed as a fixed deposit in Trinidad and Tobago.

Ms. L. Charles: Yes.

Mr. Chairman: Okay.

Mr. Ramlogan SC: I suppose the knob of the criticism, really—and you have hit the nail on the head with a bang, really—it seems to be in treating the matter as a fixed deposit in the first place. You see, what happened here, Chairman—and I want to put my view on the record. What happened here, really, in my respectful view, is that to bring oneself into conformity with the law, what happened was that they adopted a rather procrustean approach, whereby they stretched their imagination a little, and what is clearly by nomenclature tells us that it is a secured short-term deposit, was somehow converted into a fixed deposit, treated as such, and what you had, really, was a coronary bypass of the auditing checks and mechanisms which would have required ordinarily, a due diligence to have been done, and it therefore was not done. I see Miss Cox agreeing with me. I mean, you were not there, but to sum it up, that is my assessment of it.

Mr. Chairman: Thank you very much, AG. Any other Members of the committee?

Mr. Roberts: Good morning. Just to follow up. Am I to get this absolutely correct, that Miss Lorna Charles, you were not the Executive Director at the time that the Chairman and the Executive Director could have selected instruments to invest the taxpayers money in?

Ms. L. Charles: I was not the Executive Director, neither was I the Executive Manager, Investments, so I was not involved in this transaction until it got to be a legal matter.

Mr. Roberts: Okay. But the issue here, Mr. Chairman, I believe is not whether the ability of

the NIB to invest in fixed deposits is questioned—of, course, that is crystal clear to read—what I would like to know is if there is any documentation that has been left behind that you all have put your hands on to determine at the time, out of all the options, to place fixed deposits in some stellar institutions—I would not name them here. But in Trinidad and Tobago there are a lot of rock solid, balance street companies in which you can invest. Why, at that time—is there any documentation to show why \$600-plus million was selected to be placed in a fixed deposit of CIB? What were the exciting, luring possibilities for advancement or improvement or great return to the taxpayers by putting this money in CIB rather than the myriad of other fixed deposits available?

Ms. L. Charles: I will respond, based on what the records show at the NIB. The NIB had recently made a major sale of equity in the bank RBC and from the record there was a search now to put this money in short-term deposits until long-term investments—which is where most of our portfolio is focussed—could be found. It would appear that one of the major reasons may have been the interest rate.

Mr. Roberts: Okay. You see, that is where we need to go. I understand that NIB is always awash with cash and you have to put it somewhere, but the problem here is, to go along with the questioning of the Attorney General, without detailed security, without a track record, a historical understanding and confidence, CIB, with all due respect, in Trinidad and Tobago, if we were to rank and list companies or places that people can put their money in a fixed deposit; short-term, mid-term or long-term, it would not hit the top of your mind in the top 10 most secure places to put money. So, therefore, I am asking, to get into the minds of the then Executive Director and Chairman, as to what encouraged them to take such a big risk without security, to put money in CIB, as opposed to other institutions that historically have been rock solid in Trinidad and Tobago? Is there a document that they left behind; minutes of a meeting before the two signatories signed it off; board minutes, anything that shows us their thought process?

Mr. Ramlogan SC: Just to follow up on that, I was going to ask it earlier. Do you have an Investment Committee or a Credit Investment Committee or anything?

Ms. L. Charles: There is an Investment Committee, yes, appointed under the Act.

Mr. Ramlogan SC: Right. Normally, that committee would be required to keep minutes.

Ms. L. Charles: Yes.

Mr. Ramlogan SC: Now, what you are saying about the way they treated this as a fixed deposit, as it were, do the minutes reflect that?

Ms. L. Charles: We have not been able to find that recorded in the minutes, no.

Mr. Ramlogan SC: Well, you see, that is the point, and I think that is where the Minister is going. So that when we say that NIB treated this as a fixed deposit, really, that is something that we do not glean from the contemporaneous minutes of what was passing through the mind of the Investment Committee at the time they were making that investment.

Ms. L. Charles: I just want to say that as an officer of the NIB, because this is a debt we nonetheless hope to collect, I have to be very careful about what I say. However, the officers at that time would have followed the procedures laid down in the investment policy, but there are no minutes that indicate what the thinking was and how the decisions were made. We went from the forms that were signed by the respective officers.

Mr. Ramlogan SC: Sure.

Ms. Ramdial: Mr. Chair, through you, who were the members of this Credit Investment Committee?

Ms. L. Charles: Who were the members of the Investment Committee at the time?

Ms. Ramdial: Yes.

Ms. L. Charles: The names?

Ms. Ramdial: Yes.

Ms. L. Charles: The Chairman of the Investment Committee is always the Chairman of the Board, who was Mr. Calder Hart; the members were: Representing government would have been Miss Joan John and Mr. Emmanuel Noel; representing business, Mr. Reuben Mc Sween and Mr. Peter Clarke and representing Labour, Mr. Michael Annisette and Mr. Robert Guiseppi. The Executive Director is also a member of that Committee and the Executive Manager, Investments, Finance and Business, an ex officio member.

Mr. Chairman: Would this decision that we are discussing to invest this money in CIB, have been made by that entire committee?

Ms. L. Charles: The decision would have been made by the Executive Manager, Investments or the Executive Director and/or the Executive Director and the Chairman of the Board or the Deputy Chairman.

Mr. Chairman: So what is the role of the Investment Committee, then?

Ms. L. Charles: The Investment Committee is responsible for setting the investment policy and also for reviewing all major long-term investments.

Mr. Chairman: Long-term?

Ms. L. Charles: Long-term, and also for periodically reviewing the overall investment portfolio.

Mr. Chairman: So the use of the word, long-term, there, does that excuse this transaction, because this is short-term? Why did you use the word, long-term?

Ms. L. Charles: Based on the policy.

Mr. Chairman: All right. What I am trying to get at, you called out the names of an entire committee based on a question from MP Ramdial, but then you said afterwards that the entire committee did not participate in the decision-making process. At least, that is how it appears to me.

Ms. L. Charles: Of each investment.

Mr. Chairman: Yes.

Ms. L. Charles: Yes.

Mr. Chairman: But this particular one, did the entire committee get involved or just a subset of the committee?

Ms. L. Charles: This investment was a number of investments that amounted to this amount, so that each one was done separately by the group named. The entire committee would not have gotten involved in it. The point at which they may have been involved in it is in

reviewing the entire portfolio.

Mr. Chairman: That is after the fact, though.

Ms. L. Charles: After the fact, yes.

Mr. Maharaj: Mr. Chairman, through you, what really baffles me—because basic finance teaches you, high risk, high return, and when your organization really revolves around pension planning and so on, why such significant moneys would be placed in such a high risk financial instrument, especially with the experience of HCU previously? Would that not seem as an obvious bad investment when you are dealing with pension benefits?

Ms. L. Charles: I am trying to understand the question. If at the time it was made it would have seemed that way to the persons who authorized it?

Mr. Maharaj: Yes. It is a high risk investment.

Mr. Chairman: Let me just come in here. If you take things at first principle, you are dealing with a commercial bank regulated by the Central Bank. This is a fixed deposit. So on the surface it is like depositing money in Republic Bank or Royal Bank and so on, unless there was something that you knew about this particular bank that made it high risk. But on the face of it, it would not have been high risk. It cannot be treated—this is just my layman's view—in the same way as the executive premium annuities; those policies. This is a fixed deposit in a commercial bank.

Mr. Maharaj: What interest rate were they offering?

Ms. L. Charles: If you will just allow me to go back to the chairman's questions on short-term, they would all have been short term in the sense that they were less than 90 days. The interest rate here varies from 5.90 per cent to 6.5 per cent, and they were 15 separate short-term deposits.

12.00 noon

Mr. Roberts: To follow up on the Chair's point, on a few items—90 days short term, but what was the facility for roll over and was it an automatic roll over? And if so, what was the average amount of times that these short-term —what appears to be—get away from the long term Finance Investment Committee, how many times did these “short-term” investments roll over, on average?

Ms. L. Charles: There was roll over. We do not have the information on how many times they were rolled over, but there was roll over.

Mr. Roberts: They rolled over a few times. If it is 90 days and there was probably investment there before the roof came off the ship, it would have been—two years, 90 days into that would be about—they rolled over about 5 or 6 times, you could say. Is it reasonable?

Mr. Ramlogan SC: One can say with the benefit to of hindsight, it is easy to criticize. But, the point is this, part of the integrity of the investment decision that would have been taken without performing a due diligence, would have been—because according to you, they adopted the procedure for a fixed deposit, without necessarily saying that it is a fixed deposit instrument in the Minutes of the Investment Committee Meeting, which I considered by the way to be an absolutely essential matter, that they ought to have minuted. Do you agree with me on that?

Ms. L. Charles: If you look at each transaction, I think as a fixed deposit, the procedure, I

think was reasonable, and I am giving you my own personal opinion.

Mr. Ramlogan SC: No, I am not on the procedure. What I am saying is that the Investment Committee, the Minutes, should it not have confirmed that they adopting this procedure because—

Ms. L. Charles: The investment policy at the time allowed for the limits, but if I were to give you my own personal opinion, because of each individual transaction, I think it was reasonable to make a deposit under the then procedure. But, because, when you add the transactions it came to such an amount, then I think the Investment Committee should have had direct oversight of that on total. So I agree with that.

Mr. Chairman: Mr. Roberts, I see you have light on, but, Miss Cox had asked. AG, I know you want to finish your point, I just want to lay down some rules here. Miss Cox has been asking to speak for a little while, so would you all, when you are finished allow her to speak.

Mr. Ramlogan SC: Sure, thanks, Chairman. Where I was going is this; you see part of the integrity of that investment decision to go into the short term fixed deposits, secured as they were, would have been as Mr. Roberts is suggesting, would have been in the fact that it was short term. So that you could make 100 such investments, nothing would be wrong with it, because in 90 days the idea is you could get back your money plus interest. But the problem here is by rolling over what was a secured short-term investment and by allowing it to roll over and remain with the institution, what they did was to possibly convert what was meant to be a short-term fixed deposit into really long-term risk asset without applying the auditing checks and balances that one would have for long term financial investments of that kind. The rolling over, if you take a 90-day instrument, a 90-day fixed deposit with a high rating and rate of interest, nothing is wrong with that, I will do it. The problem is if you are going to let that roll over, when did short-term become long term, such as to trigger a different set of rules, criteria and scrutiny, by NIB?

Mr. Chairman: AG, let me come in here. It is obvious we will have to have more than one meeting with the NIB, and I think we can ask them these questions at the end of this meeting because we have to finish at 12.30 p.m. So what we can do is ask them some questions, for them to come back to us, specific, detailed questions, come back to us. Rather than prosecuting your case, you are doing very well, as an advocate.

Mr. Ramlogan SC: No, my case and my client is the people of Trinidad and Tobago.

Mr. Chairman: I was really being slightly facetious.

Mr. Ramlogan SC: Or you were being slightly facetious, I did not pick up on the slightly part. [*Laughter*]

Mr. Chairman: Miss Cox.

Miss Cox: Thank you, Mr. Chair, I realize there are a lot of concerns about investment. Do you still have an Executive Manager Investments?

Ms. L. Charles: Unfortunately, we have been unable to recruit an Executive Manager Investments since the last one retired. Primarily, because, I think of the salaries, we have always had that challenge, we continue to have that challenge. So, in fact, the investment committee is meeting regularly, the Executive Director picks up some of the slack, and we have recently recruited an Investment Manager. So we do have substantial constraints, in terms of the skills we are able to recruit.

Miss Cox: How long ago did that person retire?

Ms. L. Charles: June 2011, I am advised.

Mr. Roberts: Mr. Chairman, let me just state for the record—

Mr. Chairman: Mr. Deyalsingh.

Mr. Deyalsingh: Thank you, Chairman, through you. Just three short, quick, questions. I noticed when you introduced yourselves at least three of you all referred to yourselves as acting and on the page 17, of the annual report I see Leanna Persad is listed as acting, I see Miss Karen Gopaul, is listed as acting, and we are now in 2011. My question is— and I think, I have the support of everyone here, surely for good governance such senior people should not be acting for so long. Could you tell me why this state of affairs has been allowed to go on for so long?

Mr. Chairman: I will have to stop you. That is why we need the board here.

Mr. Deyalsingh: Okay, sorry.

Mr. Chairman: Because the management does not appoint itself. I am telling you that if we do not see the board on the next occasion, there will be trouble. Okay. We will figure out a way to create some embarrassment for them so that they have to come, because that kind of question properly directed to them.

Mr. Deyalsingh: Well, I do have one out of this report. Has the Eight Actuary Report begun? It is listed here as starting for 2010.

Ms. L. Charles: Yes, and it is in progress in fact the actuaries' arrived last night to have consultation with the stakeholders.

Mr. Deyalsingh: So, the 2010, actuaries report is starting in 2012.

Ms. L. Charles: No, it commenced before that. You would recall that we did not have a board for a while. And then as soon as the board came in, we did.

Mr. Ramlogan SC: Mr. Chair, I just wanted to place on record—

Mr. Chairman: Mr. Roberts was before you.

Mr. Roberts: I will give way to the Attorney General.

Mr. Ramlogan SC: With respect to the attendance of the board, I just want to make the point. That whilst, I agree with you in principle, this board that is currently in place would not have been place in 2009. So, that the utility of having them here may not be as much, and I could well, therefore, understand why the board may have chosen to absent themselves from the committee's meeting today, because they probably felt that they cannot be of much use given the fact that this new board would not have been in place in 2009.

However, if there are directors from the old board who are still on the board, because I know the composition of this board is a little unique, but if there are people from the old board who are still on the board now, who were around in 2009, people like Mr. Calder Hart and so on, by all means extend an extra special invitation for them to come.

Mr. Chairman: Just let me clarify who is chairing this meeting. It is me; we cannot upon former directors to appear. We would expect that the new board, however, difficult it may be will have to perform the role of a board. Specifically, to that question Sen. Deyalsingh asked, it

is up to the new board to explain why the present management is still holding acting positions.

Mr. Ramlogan SC: But is that a matter that arises out of the 2009 report?

Mr. Chairman: No, but it follows.

Mr. Ramlogan SC: Well, I do not know that it does and I would like to state that for the record. If we are examining 2009 audited financial statements the status of acting members of the executive management of NIB cannot be a matter that arises out of the 2009 report. It may be a matter of interest to us.

Mr. Chairman: AG, I know you came late and I know you worked late last night, but they were acting in 2009. Okay. [*Inaudible*] Gentlemen, as I said there is one Chairman of this meeting—right. So we want the board to come to tell us what they can. For example, things like Board Minutes and so on. I think only the Board would be able to tell us exactly is in the records. Management may be able to dig into the records and find out something but it is unfair. You have a new board; we have had this problem with other entities, where the board is brand new, and we are asking them questions—at least in the other committee that I sit in PA(E)C—about things that happen in 2008/2009, it is not them, but at least they can point us to the records that are there and what they can find AG. I just want to assure you it is not my intention if a new board comes in, to try to blame them for something that happened—obviously that is ridiculous. But we are asking them as board Members to tell us what they have found. Like this whole line of questioning this morning, about what is written in the Minutes, what reason has been given for that investment, I think only the new board could properly tell us what they have found in terms of their searches, and so on. So that is why I would like the board to come.

Before I call on you Minister Roberts, the AG is asking me a question. The investment committee is it a subcommittee of the board or does it have members of management in it as well?

Mrs. L. Charles: It is a committee that is formed under the Act. Chairman of the board is the Chairman, there are three members from the board, three members from outside of the board, and the Executive Director and the Executive Manager Investments as in Ex officio Member.

Mr. Chairman: But this is a sub-committee of the board.

Ms. L. Charles: Yes.

Mr. Chairman: Or is it an advisory committee to the board.

Ms. L. Charles: I will consult with my legal person. It does not fit neatly into a sub-committee, chairman, like for example, the audit committee, which is appointed by the board, because it is appointed by Minister and there are members from the board and Members from outside from outside of the board representing the three interest groups and its prescribed in the Act who should sit on that committee.

Mr. Roberts: Thank you, Mr. one Chairman.

Mr. Chairman: Only!

Mr. Roberts: Only—let me first of all state for the record, that I take it patently unfair, that people who were not involved in certain decisions are forced to try to make some sense and answer questions. Let me also say that I would like to register my total disappointment that any board members who were required to come before a parliamentary sub-committee of the

Parliament of the Republic of Trinidad and Tobago, which is made up of a bi-partisan and Independent Senators and Members of Parliament, who are very busy, cannot make themselves available here, even if it was to say “I was not there, and I know nothing”. But they should be here, and I am deeply disappointed, and I agree with the Chairman that this is unacceptable for any board member to have Sitting Members of Parliament and Senators here, and a committee and the management here some of whom were not involved in some of the decisions. I just want that to be noted, and so, Chairman, I will ensure, and I support you in getting the boards members here, and no excuse unless there are at their own funeral is acceptable.

Mr. Chairman: Restored my confidence in the Government.

Mr. Roberts: Let me now go on to disagree with my respected one and only chairman. Unfortunately, and I would have to ask Ms. Lorna Charles, Acting Executive Director. Acting?

Ms. L. Charles: I was appointed in December.

Mr. Roberts: Congratulations, substantive Executive Director for her own opinion, because as an expert this is all I can ask. Immediately on hearing that my Chairman said that the CIB, it would have been fixed deposit and there would have been no real risk, because it is a fixed deposit and they are just a bank. It is my opinion—and I will ask your opinion—that there are certain banks that have a greater, stronger, reputation, stronger balance sheet, and high share price and so on. And, therefore, they in itself there are levels of risk with a new entity or an entity that does not such a track record, would you agree that there are levels of greater—you begin to asset risk in that way?

12.15 p.m.

Mr. Roberts: So, for example, a Republic Bank as opposed to a CIB, would a normal investment person be able to begin a risk assessment based on those two brands?

Mr. Chairman: Sorry, Mr. Roberts, I am being disturbed by the Attorney General here.

Mr. Roberts: No problem.

Ms. L. Charles: Just to back up before in trying to answer your question directly. The NIB had, in addition to, if you look at when the deposits may have been first made—I am not sure but may have been—\$539 million in CIB but there was \$2.6 billion in cash that we had. So the \$2.6 billion would have been placed in some of these institutions that you have mentioned. The records will indicate that the offices, at the time, relied on the regulators, more particularly the Central Bank, and there were no audited financial statements which would have made it easier for the due diligence to be done. But, however, what was said was that the Central Bank would have been actively reviewing the financials of that institution and there were no negative reports on them. So that is what we have found in the records.

The moneys—the cash that NIB had would have been distributed across the financial sector which is, in fact, what is normally done.

Mr. Roberts: Yes, the norm is that we would spread out our investments across the financial sector in order to mitigate risk.

Ms. L. Charles: Risk, yes.

Mr. Roberts: However, by spreading out, and my question is quite basic and simply and it is not based on anything because you were not involved at that time. It is simple yes or no, if I am going to invest my money and I have an institution that has been around for 100 years and

everybody knows their bank, their balance sheet, they are brilliant, their share prices is going up to \$92 and so on and I have a choice, would I just on the surface simply state that my risk is greater or less in putting my money, for example, a Republic Bank as opposed to a newer entity like CIB? Would I be correct in saying that my risk would be less?

Ms. L. Charles: That would be a reasonable assumption.

Mr. Roberts: A reasonable assumption. So that is just where the chairman and myself depart, that you start off there, “okay”, and then you say, “Right, we do not want to put all of our eggs in one basket, we want to mitigate risk so we want to disburse and put some money aside”; but, the second thing that sends up a red flag to me as a small investor especially now with a small government salary, not much investment going on. Is a short term 5.6 per cent to 6.1 per cent return, as soon as I see that, because one basic tenet of investment is, something too good to be true normally is, would that not have thrown-up a red flag to reasonable human being in your expert opinion?

Ms. L. Charles: The point about, say a Republic Bank in which we own a substantial interest as well, is very well made. Having entered into this transaction, the NIB had substantial liquidity and would therefore—and I think I am repeating myself—have spread the money across the various institutions. Could I ask you to repeat the question?

Ms. L. Charles: Okay, the question—

Mr. Chairman: Can I assist you on that? I got the impression that NIB sold shares it had in Royal Bank?

Ms. L. Charles: Yes.

Mr. Chairman: And you had a lot of cash?

Ms. L. Charles: Yes.

Mr. Chairman: How much are we talking about?

Mr. Roberts: “\$2. something billion.”

Ms. L. Charles: Well, it would have been over \$3 billion in cash because we had the \$2.68 billion in 2008 and the \$539 million. So that would have been over \$3 billion at the time in cash.

Mr. Chairman: Okay. So they took the \$3 billion in cash and they put some in CIB and some in other institutions?

Ms. L. Charles: \$539 million—I am looking back to the 2008 figures.

Mr. Chairman: \$500 plus million in Clico Investment Bank—

Ms. L. Charles: Yes.

Mr. Chairman: And the rest of it would go in other institutions.

Ms. L. Charles: The other institutions in short term.

Mr. Chairman: So that was an attempt to spread it over various financial institutions—that is what you are saying?

Ms. L. Charles: Yes.

Mr. Chairman: Okay.

Mr. Ramlogan SC: Mr. Chairman, may I ask as a follow-up? Of the moneys that they placed in the other financial institutions, what percentage of it went in fixed deposits? Of the \$3 billion that you had, what percentage of it went in fixed deposits?

Ms. L. Charles: We would have to get back to you on that.

Mr. Ramlogan SC: All right, so good. And then further, of the percentage that went into fixed deposits, I would like a breakdown of where those fixed deposits were placed? In other words, if 25 per cent of the money went into fixed deposits, of that 25 per cent, did 100 per cent go to CIB? 60 per cent went to Republic Bank? I would like to know. What is the diversification portfolio of that?

Ms. L. Charles: And just for the record—\$1.3 billion was what came in from the sale of RBC.

Mr. Chairman: Ladies and gentlemen, we have about nine minutes.

Mr. Roberts: Let me just wrap up, Mr. Chairman.

Mr. Chairman: I would like to recognize Sen. Mc Knight who has had her hand up for the longest while then MP Ramdial, then MP Cox and then Sen. Deyalsingh.

Mr. Roberts: Mr. Chairman, could I have just a minute to wrap up because I gave way to your concern?

Mr. Chairman: No problem, we will allow you to wrap up—

Mr. Roberts: Thank you.

Mr. Chairman: —but I just want to get the speaking order—Sen. Mc Knight, MP Ramdial, MP Cox, Sen. Deyalsingh and you try and wrap as quickly as you can please.

Mr. Roberts: I will try and wrap up. So very quickly because we understand trying to spread the risk, but in your expert opinion, if I have savings and I want to spread my risk, would I go, even if I had a lot of cash, would I increase my risk profile by putting my money in basically a fairly relatively new company that is trying to attract me with an incredibly high unrealistic interest rate or would I be better off sticking to a fewer, more historically strong institution?

Ms. L. Charles: I would adopt more prudent and non-speculative approach.

Mr. Roberts: Thank you, brilliant answer! And finally, why are we here with 2009—I have tried to find it—non-consolidated accounts? Why can we not get the consolidated accounts?

Ms. L. Charles: The subsidiary is NIPDEC and our Act requires that we present accounts to the Parliament that deals with the National Insurance Board and the national insurance system only. So we have not consolidated our accounts, we present accounts in accordance with our accounts.

Mr. Roberts: Would you agree that we will get a better picture when the accounts are consolidated?

Mr. Roberts: We have recently taken a decision that while we will present future accounts as non-consolidated too, in accordance with the Act, we would also consolidated to get a picture of how the NIPDEC investment and HMB and TTMF, which are our major subsidiaries, would impact on us.

Mr. Chairman: Thank you, Minister Roberts. Sen. Mc Knight.

Mrs. Baptiste-Mc Knight: Thank you, Mr. Chairman. I would just like to put on record a

few questions which can be answered on the next occasion. First of all, I would like to have an update on the situation with coverage for self-employed persons which according to this report and what you had told us in a previous incarnation should have come on-stream since July 2010. Secondly, I would like to have some information on the up to date position with respect NIB's involvement in the National Health Service. Next, can you let me understand exactly how your Pay For Performance system is operating and the degree of success you have achieved?

Next, according to this report, the number of new entrants to the scheme is trending downwards. Your investment income is trending downwards, in this report, it is at 51.7 per cent reduction. Even with contributions trending upward slightly, given the facts that you say 80 per cent of your contribution income is paid out in benefits, is a 50 per cent increase in benefits sustainable?

At the last appearance before this Committee, you had mentioned that there was a serious problem with government records—discrepancies in government records which were running at something like \$11,000. Can you give us an idea of whether that situation has improved if any? And finally, what is the current situation with the review of compensation for executive and management grades? Thank you, Mr. Chairman.

Mr. Chairman: I just have to make a kind of ruling here. We are dealing with the 2009 accounts so you have to answer all of those questions up until the June 30, 2009. I know that the Senator and we want to know what is going in 2012, I myself—in accordance with our procedures, you will have to answer that in the context of what was happening as of June 30, 2009 in respect of every single question that the Senator has asked there.

Ms. L. Charles: Yes.

Miss Ramdial: Mr. Chairman, just for a point of clarification, I would want to know whether or not there are any rules or regulations that debar the previous board from coming here, members, especially, of the Credit Investment Committee, because I think a lot of clarification can be had from members of the previous board.

Mr. Chairman: Sure, I will look into that. I totally agree that if it can be done, sure; so I will look into that.

Ms. Cox: Mr. Chairman, through you. Actually this is about 2012 but I want some or to give some advice too. I have a document in my hand which states that there is an increase in contribution to NIS from January 2012; I want to know where that has been placed in the public domain. Coming from a PR background, I was just wondering how come the public was not informed that there is an increase in NIS from January 2012.

Mr. Chairman: Again, let me put that in the context of our procedures. Could you tell us whether these increases were agreed to prior to the June 30, 2009? They may very well have been, the increases, I think there was a schedule. And was there a communication strategy that was agreed to, approved and formulated prior to June 30, 2009? In other words, when the NIB made the decision to increase contributions over a phased period of years, did they also develop a communication strategy to let the public know—employees, employers—that there will be these increases over this period of time, to answer Ms. Cox.

Mr. Deyalsingh: Thank you. Mr. Chairman, through you, question for answer, the next session, especially if former board members come. It is my understanding; correct me if I am wrong, when Royal Bank of Canada (RBC) was making the bid to purchase RBTT, there was

an option for shareholders in RBTT to either take cash and or a certain percentage of RBC shares. Would you be able to tell us at the next meeting where the NIB sought to take up the offer of RBC shares as opposed to a full cash payout which would have been a much safer investment?

Mr. Chairman: And also why? Did the NIB consider taking shares in RBC instead of cash?

Ms. L. Charles: We took both.

Mr. Chairman: And, if so,—

Mr. Deyalsingh: You took both?

Ms. L. Charles: As a quick answer, we took both.

Mr. Chairman: Okay, but could you give us the justification—

Mr. Deyalsingh: And the break forward down.

Mr. Chairman: —for the decision that was made.

Ms. L. Charles: Yes, we can give that.

12.30 p.m.

Mr. Chairman: Okay, the AG has been harassing me to ask a list of questions for answer at the next meeting. I will now hand the floor over to him. You have one minute.

Mr. Ramlogan SC: I wanted to know how many years, prior to 2009, were KPMG the auditors? I wanted to know the system that was used to record and report on NIB's investment portfolio, and whether the auditors would have reviewed those systems and procedures as part of this 2009 report; in other words, whether they used Excel spreadsheets or otherwise? I wanted to know what internal control mechanisms within NIB there would have been to ensure that the data that was presented to the auditors would have been credible and accurate, because these Excel spreadsheets, there are inherent weaknesses in relying upon them.

I noticed that the 2009 report states that NIB has some 17,233 active employers, and I noticed on number eight of the management letter, on page 17, it was observed that the policy was to audit employers every three to five years. Correct? But there are a number of employers who have not been audited in excess of five years, if we could know who they are and why.

There is a suspense account—it is item No. 2 on page 5 of the management letter—and there is a significance balance. It is \$3.5 million. That is as a result of unapplied mortgage receipts. I do not know what that means, really. I would like to know, but these suspense accounts are rather dangerous creatures, because you do not know. They contain unaccounted balances in the hope that you would one day be able to account for them. I would have liked to know when that suspense—what is the policy, as the 2009 report was prepared—with respect to periodically clearing that in a timely and efficient manner and why it is so large?

I wanted—this one, I do not know if the Chair would permit it, but I had mentioned it to the Chair, it had to do with—*[Interruption]*

Mr. Chairman: I am going to permit you to speak for one more minute.

Mr. Ramlogan SC: Sure. It had to do with the—I do not know if legal action/litigation had

started then, but I wanted an idea as to the litigation budget in the hope to recover.

Sen. Baptiste-McKnight had raised the point about the loss in revenue. Its investment income declined by \$1 billion, when you look at the figures from before. It says in the report that NIB borrowed a \$150 million, but the report does not say why and from whom. There are no details about this. [*Interruption*] I am just flagging for later on. I would like to know.

I also saw that the mortgage portfolio has 27 per cent past due and 55 per cent impaired. I consider that to be a significantly high, because it indicates that 82 per cent of the \$168 million in mortgages are problematic and are being flagged at 2009. So, if I could have some details about that, that would be helpful.

I also want to know when was the last actuarial review, at that time, conducted, when is the next one due and what is the NIB's policy with respect to having period actuarial reviews.

Mr. Chairman: That is it?

Mr. Ramlogan SC: Those are my questions.

Mr. Chairman: What we are going to do is that the clerk would go through the verbatim record, because we are doing a recording of this meeting and we also have a CAT Reporter, and the clerk would write you, just to confirm what the questions were. I know you have taken your own notes. We would try to bring you back as quickly as possible, because we are just scratching the surface as far as I am concerned. We have spent a lot of time on the CIB/Clico matters, but there are many other things with the NIB. I myself have some questions, not do with that but much more in-depth dealing with NIB itself and how it operates. So, be prepared to come back within, at least a month, if not less. Please, impress upon your board members that we do want to see them. Okay? Thank you very much.

For members of the committee, AG, lunch is served upstairs.

Mr. Ramlogan SC: Oh yes, thanks.

12.36 p.m.: *Meeting adjourned.*

VERBATIM NOTES OF THE PUBLIC ACCOUNTS COMMITTEE HELD IN THE ARNOLD THOMASOS ROOM (EAST), AND J. HAMILTON MAURICE ROOM, 2ND LEVEL, MEZZANINE FLOOR, TOWER D, THE POS INTERNATIONAL WATERFRONT CENTRE, 1A WRIGHTSON ROAD, PORT OF SPAIN, ON TUESDAY, MARCH 13, 2012, AT 10.15 A.M.

PRESENT

Mr. Colm Imbert	Chairman
Mr. Anand Ramlogan SC	Member
Mr. Anil Roberts	Member
Mr. Danny Maharaj	Member
Ms. Ramona Ramdial	Member
Mrs. Corinne Baptiste-Mc Knight	Member
Miss Donna Cox	Member
Mr. Vasant Bharath	Member
Mr. Ralph Deonarine	Secretary
Miss Keiba Jacob	Procedural Clerk
Miss Indira Binda	Graduate Research Asst.

ABSENT

Dr. Rupert Griffith	Member (Excused)
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Mr. Chairman: Good morning and thank you for coming. We have the National Insurance Board here? Okay, could you please identify your team?

National Insurance Board of Trinidad and Tobago

Mr. Sylvester Ramquar	Deputy Chairman
Mr. Seeram K. Maharaj	Director
Ms. Lorna Charles	Executive Director
Ms. Niala Persad	Executive Manager, Legal Services (Ag.)
Ms. Karen Gopaul	Executive Manager, Insurance Operations (Ag.)
Ms. Esther Charles	Executive Manager, Finance & Business (Ag.)

Ministry of Finance

Ms. Radica Deonanan

Treasury Accountant

Mr. Chairman: So we still have three actors. All right, members of the committee, members of the public, I welcome you to this meeting of the Public Accounts Committee to review the accounts of the National Insurance Board (NIB) for 2009. On the last occasion we had a number of questions for the NIB. We received some responses—I assume all members of the committee have seen the responses. So what I would like to do is that, I would like to invite members, based on the responses that we received from the NIB, to the questions asked by Members on the last occasion. I would invite members to go straight into it if you want further clarification. You did not look at it yet? [*Talking to Mr. Ramlogan*]

Mr. Ramlogan: I looked at it—[*Inaudible*]

Mr. Chairman: All right, the Attorney General is making a suggestion which I have no problem with. I do not know if other members have any issue with this that it might be more appropriate for the representatives of the NIB to go through and present to us their responses. Is everybody in agreement with that? Okay, could someone from the NIB therefore, go through starting with the first question, obviously, question (a). Could you please nominate someone amongst yourselves to answer?

Ms. Charles: The Deputy Chairman has ask me to go through. The first question is, “What percentage was invested in fix deposits?” And the answer is, of course, 3.05 per cent and we have a breakdown of the amount.

Mr. Chairman: Does anybody have a question on this?

Mr. Bharath: Mr. Chairman, I would like to ask a question. This question does not relate specifically to these investments. It relates to the investment income figure that you have stated in your account. I just wondered whether in fact, any investment income was generated through the loans to any State enterprises or special purpose vehicles during this period, and if so at what rate of interest? In other words, I know that in some of your investment, income would have come from the issuance of bonds and other forms of notes. I am asking, has any funds been directly loaned to any special purpose vehicles or and or State enterprises, and at what rate of interest?

I am aware that we are dealing with 2009, but I am asking the question for any recent activity prior to or after 2009.

Mr. Chairman: Minister Bharath we could deal with what occurred.

Mr. Bharath: No, but it would impact—I understand, but it would impact on the 2009 accounts. So I am just asking—if you are aware of any that you may not have these specific details for today, we could always ask you to come back.

Ms. Charles: I am not sure whether this was in 2009, but I am aware that we had bond with UDeCott which is still in place—state Enterprises.

Mr. Bharath: Do you remember what the rate of interest was on that bond?

Ms. Charles: I am sorry, we cannot give you the exact figure, but it would have been at the

rates that we are prevailing at the time. We recently negotiated that bond.

Mr. Chairman: Could the official from Finance shed their light on this? You have any knowledge of this?

11.00 a.m.

Ms. Deonanan: We were not privy to the report so we cannot shed any light on it.

Mr. Chairman: Which report are you referring to?

Ms. Deonanan: The NIB.

Mr. Bharath: The information is not on this report. Chairman, I am asking the question simply because the information that I have is that the bond to UDeCott, in particular, was at below market rates at the time and, clearly, if that is the case, then it impacts on the funds available to your members, and to contributors in the future, and that is the only relevance of the question.

Mr. Chairman: All right, well, that is easy to check. So could you all check that and report back to us on that matter?

Ms. Charles: Yes, we will do that.

Mr. Chairman: But I have a question. You have invested just 3 per cent of your funds in fixed deposits. What is the other 97 per cent invested in?

Ms. Charles: We have 27 per cent in equities—26.78 per cent—

Mr. Chairman: Are you reading from a document?

Ms. Charles: I am reading from the Annual Report, page 14.

Mr. Chairman: Okay, go ahead.

Ms. Charles: The graph is on page 14 but on page 13, under Portfolio Mix: Equities, 26.78; Government Securities, 23.6 per cent; Corporate Bonds, 20.35; Overseas Investments, 11.17 per cent; Debentures, 9.5 per cent; Mutual Funds, 3.44 per cent; Fixed Deposits, as we said 3.06 per cent; Real Estate, 1.64 per cent; and Mortgages, 0.46 per cent.

Mr. Chairman: Equities are companies listed on the local stock exchange?

Ms. Charles: Yes.

Mr. Chairman: No foreign equities?

Ms. Charles: Just RBC—Royal Bank of Canada.

Mr. Chairman: I was just curious as to why only 3 per cent of your funds are invested in fixed deposits, and why such a large amount in equities, which is basically a higher risk.

Ms. Charles: We tend to keep most of the money in long-term investments and during that year we made substantial investments in Republic Bank, and Neal and Massy.

Mr. Chairman: Yes, but what I am driving at, a fix deposit, assuming that the bank is stable, is a guaranteed return. An investment in equity is risky, so why only 3 per cent in what should be a stable, guaranteed return—fairly good return—and yet almost 27 per cent in high risk equities? I am just asking a question.

Mr. Ramquar: But normally social security funds are invested in a large amount of equity to

cushion the effect of inflation, so you get capital appreciation and a dividend income. If you check any pension plan you would see—

Mr. Chairman: Right, that is high yield, but with high yield comes high risk. It is just a question I am asking. What drives the process?

Mr. Ramquar: I would think, basically, it is a protection against inflation.

Mr. Bharath: Can I ask who determines the segmentation of investments in terms of where investments go, depending on reward and risk? Is there an investment committee, or does the board make that decision? And is it on an annual basis or quarterly basis? And just an addendum to the question: Does the investment committee, if there is such a committee, monitor the expected returns by comparison to what actually is returned?

Mr. Ramquar: I cannot tell you specifically what happened in 2009; I will tell you the procedure. There is an investment policy that is approved by the board; there is an investment committee that requires two external investment experts from outside, and you have the investment committee that comprises members of the board in addition to the two people. [*Discussions among members*]

We were discussing how many members of the committee comprise board members. We have three representing the three sectors on the board: Government, business and labour. That is in addition to the two external. They are supposed to meet, approve the investment and seek the approval of the board.

Mr. Roberts: Mr. Chairman, through you, let me follow up on the Chairman's question. Good morning, everybody. The process that exists now is very good. We heard that that process was supposed to have been applied back in 2008—2009 and so on. The question the Chairman is getting at—and I would go a little bit deeper—is at the last sitting we wanted to know what was the rationale and thought process of mitigating your risk profile of your overall investment portfolio with fixed deposits, yet it seemed—and we were told last time that the investment committee did not look at certain fixed deposits because they were put in a short-term and then they rolled over a number of times and eventually became long-term fixed deposits. But when I look at this, any rational human being in Trinidad and Tobago, when you want—number one, the Chairman is suggesting that your fixed deposit should be a higher percentage of your overall portfolio to mitigate your risk against your high yield investments, as you know what would have happened in 2008 when everything collapsed; people lost 80/90 per cent in some cases, of their diversified portfolio, whether it was foreign or locally based. So this is 2009. Yet we have, one, a low percentage in fix deposits, which is low risk and should maintain a certain security.

But, my question is, when we look at this figure, what was the rationale and thought process to put \$156 million in CIB that did not have a great track record? We have in local terms, Republic Bank; we have RBC; I could understand the First Citizens; we have Scotia Bank; we have other banks that are far safer, less risky. And when your goal is to mitigate risk, why would you take—did you all investigate some notes? What was the rationale of putting \$156 million into CIB which did not have a history of security and strength and solid as a rock in Trinidad and Tobago, where, for example, you only put \$76 million in Unit Trust, which I would suggest off the top, is a safer bet and a more secure bet, and other banks like Republic and so on? What was the rationale at that time, and who made that decision? Last time we were hearing that it was just the executive chairman and the investments committee did not look at it. What can you all tell us about that?

Mr. Ramquar: Mr. Minister, we would have to get back to you with the specific question you asked.

Mr. Chairman: You know, this is the second time. Now, the directors were not here the last time, but we asked this question the last time. So this is now the second time we are asking the same question. Could we please get the answer this time? If you say you do not have it with you, can we get it within two weeks? Is that possible?

Mr. Ramquar: Yes, Sir.

Mr. Chairman: Right. Now, I have a question going back to my original question. If I look at the pie chart on page 14 of the Annual Report, I see 26 per cent in equities, which I am told is local, with the exception of RBC. I see 11 per cent in overseas investments—and I will want you to explain what that is—and then 23 per cent in government securities; 20 per cent in corporate bonds. How did these various sectoral investments perform? Did the equities perform better than the government securities, or worse than the overseas investments? Before you answer that, what are these overseas investments?

Ms. Charles: The NIB, I think it was some time in about 2007, went out to tender and employed four fund managers: Merrill Lynch; Gravitas; Smith Barney and Guard, I think it is, from the UK, and they would manage the funds. Funds were passed to them for managing with a specifics type of return. The return has been very good, actually. We have been out-performing the market perhaps because of the time we went in, so we did not really experience the kind of losses that people experienced in 2008 on the overseas market, even though it has been relatively volatile. They are invested in mainly the bonds, again, safest long-terms securities, but some equity. There is a break out of that as well. That is in terms of the overseas investment.

Mr. Chairman: Okay. So you took some of your money and gave it to these investment managers to invest.

Ms. Charles: To invest, yes.

Mr. Chairman: And you say it has been doing well.

Ms. Charles: It has been doing—relative to the market, it has been doing well.

Mr. Chairman: Foreign market or local market?

Ms. Charles: Foreign market.

Mr. Chairman: All right. My question is: I see your overall yield was 6.8 per cent. That is in the front. How did the local equities perform compared to the foreign investments and the government securities, in terms of that six per cent? Which was higher and which was lower?

Ms. Charles: The bonds, I recall, were fairly high because a number of them were long term bonds.

Mr. Chairman: This is corporate or government?

Ms. Charles: Both corporate and government.

Mr. Chairman: So they did well.

Ms. Charles: Overall they did well.

Mr. Chairman: They did more than 6 per cent?

Ms. Charles: Yes. I think a number of them had been in place for some time when we were at 10 per cent and over.

Mr. Chairman: So, therefore, the local equities drag you down then. If you are getting 10 per cent or 9 per cent from those investments that you just mentioned, something brought you down to 6 per cent.

Ms. Charles: There was some turbulence on the local equity market, yes.

Mr. Chairman: Would I find that in this report, what was the yield on the local investments compared to the foreign and the corporate?

Ms. Charles: Not a break out in this report, but we could provide that for you.

Mr. Chairman: Could you break that out for us? Because I am concerned about this 27 per cent that you have allocated for local equities. I just have a concern, so I would just like to see the numbers. Could you tell us the performance of the major components of your investment portfolio—as I said the equities, government securities, the corporate bonds and the overseas investments? Could we just see it, please? Okay, anybody else have any questions?

Mr. Bharath: This is really a question of policy. It would appear that on an annual basis your contribution income plus investment income, when compared to the benefits paid out, it would appear that your—and you can correct me if I am wrong—contribution income plus investment income exceeds your benefits paid. Am I correct?

Ms. Charles: Yes.

Mr. Bharath: It does. You have assets currently running, or contribution income that has been essentially converted to assets, that is running around about \$17.3 billion. Am I correct?

Ms. Charles: In 2009, yes.

Mr. Bharath: In total, yes—\$17.3 billion.

Ms. Charles: Yes.

Mr. Bharath: Is there a benchmark figure that you are looking at? If it is that contributions currently can pay your outgoing benefits and have been able to do that on a regular basis, is there a figure that you are looking at, that you are holding on to, that you must have available to invest to be able to get a certain amount of investment income? Or is there a benchmark internationally that you are aiming at in terms of funds that you must hold? Because under normal circumstances—and this has nothing to do with how funds of this nature are run, but if one is holding a significant asset base of almost \$18 billion, it would be difficult, almost, to justify an increase in national insurance to the contributor if your income on an annual basis is covering your outgoings and you have not actually tapped in yet to the contributions that have been made.

11.15 a.m.

Mr. Bharath: Because the common man on the street will think, or it could be suggested, that essentially you have not utilized any of the funds that they have actually paid over to you as yet because all that you are utilizing really is your investment income to pay claims. But, yet still, you are continuing to build your asset base, and, I mean granted you are getting investment income as a direct result, and that is what you are using, but have you calculated over what period of time or for what period of time, you would want to hold on to 18 or should it be 20 or

should it be 25? What are the aspirations for wanting to increase national insurance contributions and still build your asset base when, in fact, your asset base is not being eroded through payments?

Ms. Charles: Yes. The national insurance system here is based on a partially funded system and the last policy of the Board, based on what the current policy based on the actuarial review, is that we would want to cover between 60 per cent and 75 per cent of our long term liabilities in the fund. So, it not a pay as you go system, it is a funded system. So that people are paying into the system—if I will just try to explain it—and they are accruing liabilities for benefits that need to be paid in the future, and we would want to hold 60 per cent to 75 per cent of funding so that if we were to wind up, we could pay these liabilities to that extent. This is what the fund is about.

This figure is calculated in the actuarial review every five years and we are advised by the Actuary in terms of what the figures should be over a period on an annual basis, how much money we should have in the fund to be able to cover a percentage of the liability.

We have had suggestions coming from the public that, maybe, we should in fact be holding a larger amount but because it is a system into perpetuity, the Board has so far decided on the advice of the Actuarist to hold between 60 per cent and 75 per cent of the long term liabilities.

Mr. Ramquar: I just want to add two things. The plan is expected to be matured in around 2014, and that is when the bulk of money will have to be paid out. So while we are carrying a balance or look like a healthy balance, it is really geared for liability created now for the younger people who will be coming or retiring around 2014. That is the period that we are targeting really that we have to have money available so that will influence long term investment.

The second thing is that the investment returns that you were looking at and trying to peg is based really on the actuarial advice. Every five years, when they do the review, they would tell us what kind of percentage they would expect that the overall fund would yield in order to meet our mature dates and pay these benefits.

Mr. Bharath: Does the current \$17.3 billion match with or meet the requirements of between 60 per cent and 75 per cent currently or not?

Ms. Charles: Yes, in 2009.

Mr. Bharath: It did?

Ms. Charles: Yes.

Mr. Bharath: Okay.

Mr. Chairman: Mr. Bharath, any more?

Mr. Bharath: Thank you. No.

Mr. Chairman: All right. I would like to suggest since we have a lot of questions and answers here, rather than going through each one, could Members flag, as we go along, the questions and the answers that they would like clarification on? Are you okay with that?

Hon. Members: Yes.

Mr. Chairman: Because there is a lot of questions and answers, we could be here for months

which I do not mind but I do not think the NIB people will appreciate that.

So the second question was: What is the situation with respect to coverage for self-employed persons? I think the question was asked by Sen. McKnight. Are you happy with the answer?

Mrs. Baptiste-McKnight: Thank you, Mr. Chairman. Not completely because, I recall that the last time the NIB appeared before this committee, we got this identical answer and this answer covers up to June 2009. Has there been any progress on this?

Ms. Charles: In addition to this answer, we have also included another assessment of the self-employed cost and benefits payments and so on in the actuarial review that is being done at the moment—the eighth review—which is due to be completed by May. Our target as this was one of the items announced by the hon. Minister of Finance in the budget and we are aiming to meet that target to begin implementation of the self-employed in the early financial year 2013.

Mr. Chairman: Could I ask, with respect to self-employed, someone who never made any contributions: Do they have to pay a lump sum to get into the scheme? What is the plan?

Ms. Charles: The plan is that similar to what happened with the current system. When the system begins, people who will not have enough time to accumulate a pension, we will propose age credits for them to be financed either by the NIB or the Government of Trinidad and Tobago.

Mr. Chairman: Credits. Would you explain that please?

Ms. Charles: So that under the current system, you would require 750 contributions to qualify for a pension which is about 15 and half years. So if you only had, say 10 years to retirement, you would be given, if this is approved by the Parliament, five years of age credits so you could qualify for a pension. This is what happened with the current system and this is what we are proposing for the—

Mr. Chairman: If you only had five years to retire, would you be given 10 years?

Ms. Charles: There would be a limit that has to be decided upon.

Mr. Chairman: I think you better be very carefully about that. There could be accusations of discrimination and unequal treatment so I would just advise caution. So Sen. McKnight, are you satisfied now?

Mrs. Baptiste-McKnight: Yes.

Mr. Chairman: The next question was about the Board's involvement in the national health service. Well, straightforward answer. Anybody has any questions on this? Where they participated in a committee and so on—any questions? Okay.

Question (d): How was the pay for performance system operating in 2009 and to what degree of success? Anybody has any questions on this? Did members of the NIB get paid for performance in 2009?

Ms. Charles: No.

Mr. Chairman: All right. Question (h): What was the policy in 2009? How did we go from (d) to (h)? All right, it seems that I am missing a couple of pages. Question (e)—So a lot of people are missing pages?

Hon. Members: Yes.

Mr. Deyalsingh: Mr. Chairman, if I may while you try to sort that out, could I ask my question from the last time which was not addressed in our document? The question is directly to the directors. I have raised the issue at the last sitting that three of your senior managers have been acting for a very long time, and this is the second board over which they are acting. My question is: Are there any proposals to either make these individuals permanent or other suitably qualified persons permanent instead of having three acting people which would lead to better governance if we have permanent people? Thank you.

Mr. Ramquar: The Board has spent some time looking at the organization itself and we have now determined a reorganization of the organization's structure which includes basically three deputies rather than one, so we have columns. The ad is on the papers at this point in time. It should be closed shortly and what is going to happen is that internally the executive managers in the respective field may or can apply for the jobs. Assuming that the operations manager who has performed was successful, then there will be no need to confirm her again in the executive manager position—deputy position is higher in the structure. Whatever else [*Inaudible*] balance will be confirmed at that stage.

Mr. Deyalsingh: So these three acting persons here will have to reapply for the jobs which are now being advertised? Is that what you are saying?

Mr. Ramquar: Yes.

Mr. Deyalsingh: Okay, thank you.

Mr. Chairman: Finished? We seem to have some record-keeping issues. The Attorney General is saying that there was some questions that he asked that do not seem to appear in this document. I do remember Miss Cox asking a question which I am not seeing here, I can tell you what it is, that when the decision was taken to increase the contribution rates, was a decision also taken to have some sort of public awareness programme so people will know that their contributions—do not write, I remember. So I think, Mr. Deonarine, we would have to resolve this, you know, because—[*Interruption*]

Mr. Ramlogan SC: Mr. Chairman, if I may? There are a number of questions that I had raised on the last occasion—

Mr. Chairman: Before we get to you because you will detain us for a while—

Mr. Ramlogan SC: Not necessarily.

Mr. Chairman: Let us get the easy questions out of the way and we will come back to you. We will give you the floor in a little while.

Other than the Attorney General and that question that I just raised with respect to what Miss Cox had asked, does any other Member have any specific inquiries for the NIB?

Mr. Bharath: On any other question?

Mr. Chairman: On anything else, yes.

Mr. Bharath: It relates to the issue of employers who have not been audited in excess of a period of five years and they have given reasons, but they have not told us what they will be doing to ensure that this does not reoccur. We know why it has happened, they have told us here—that there are a number of repeat audits and so on. But we have not been told what you will do to ensure that when you come back in to report on next year's accounts, we do not see this here again. So that is one point and I do have another but if you could answer that, I

would appreciate it.

Mr. Chairman: After that question, could you deal with the question that Miss Cox had asked on the last occasion.

Ms. Charles: We have increased the number of auditors so that they can get around to auditing all employers that we can find because sometimes we have difficulties in locating employers as well.

Mr. Bharath: Well clearly, if you have not seen some of them for five years, many of them may have gone out of business.

Ms. Charles: They may have.

Mr. Bharath: So you definitely would not find them.

Ms. Charles: Although we also ensure that the ones that are not paying, we focus on those as well. So sometimes the ones we have not audited are the ones that are paying on a regular basis. We would manage it in that way as well.

But, we want to audit everyone within five years, even if it is us, we audit ourselves as well just to ensure that we are paying the correct amount. We audit government as well and government agencies.

Mr. Bharath: Yes.

Mr. Chairman: The question with respect to public awareness on the increased contributions agreed to some years ago?

Ms. Charles: Now, when an actuarial review is being done which is what would drive the decision to have the increases approved in the Parliament, we would begin by meeting with all the major stakeholders, of course, the major ones are government, business and labour, but we would meet also with a number of other ministries and a number of other stakeholder groups. So we would have those meetings and discuss what the plans are and get their recommendations.

Once the actuarial review is done, we go through that cycle again and the decisions are made in the Parliament and the Act is passed, we would also do a number of public symposiums, employers' seminars which we do all the time. We meet with the people who developed the software for the employers to help them to modify their software to pay the contributions. We do a number of advertisements in the print media; we do flyers and posters, and we do letters to all the employers and to all the employers' associations.

11.30 a.m.

We also visit the Employers Consultative Association (ECA) and the labour meetings, FITUN and so on, and speak to the various groups.

Miss Cox: Are you saying that advertisements were done for this January increase.

Mrs. Charles: Yes, yes, definitely in the newspapers.

Miss Cox: Okay, because, I myself have not seen it. But, we got word a lot of persons did not even know that there was an increase in the insurance. So, I guess you may have to revisit how you send out that information.

Mrs. Charles: Yes, we write to the employers and we have had advertisements in the

newspapers.

Mr. Ramlogan SC: Just on the issue of the advertisements. Like, Miss. Cox, I rather suspect that a lot of people would not have seen that advertisement, because the newspapers seemed to be crowded with a lot of advertisements and given people's schedules they do not really go to read the advertisements, so much that they might read the news.

And, I really wonder whether in this day and age we need to persist with some of the old forms of advertising. The intention of advertising is to bring it to the attention of the layman in the street; you know, by the corn soup vendor and the doubles vendor, and so on. And, I wonder whether or not public bodies ought not to consider advertising on radio and television. And, furthermore, whether you all should not perhaps establish a presence on facebook and the Internet which is where you find the society is moving, and where it is much more likely to come to people's attention.

People advertise—the entire state sector Chairman, seems to advertise, and then we Gazette things. And, all of these things are meant to really bring things to the people attention, on the ground. The man on the ground does not read a Gazette. And, the man on the ground really does not read these little things in the newspapers, we see on a half of page and so on. We really focus on the comic strip, the news, the sports page, and things of interest to us and the entertainment pages and so on. But, people would not pick up a newspaper to read the advertisements.

So, having regard, I support Miss Cox, in the need for public information and education, but, may I respectfully suggest that that money be better spent, advertising for free on facebook, advertising via the radio and television where it is much more likely to actually come to the public's attention.

Mrs. Charles: We are on the radio. I apologize, I meant to say that. We are on the radio, we have skits—

Mr. Roberts: What radio stations?

Mrs. Charles: All the major radio stations, 95.5; 97.1; 105.1; 102.7 Radio Jaagriti. We go to all the stations. We have done a few skits. We also have a website and we take your point in terms of facebook. We have stayed away from television because it is quite expensive. But, we have been talking to the Government Information Service to do some things for us, and to tap in to some of Government's time. And, we really would like to pursue that because TV is expensive.

Miss Cox: What about flyers and posters that can be placed at the work place, flyers and posters concerning the fact that—so that people would know that there was a plan to increase from January.

Mrs. Charles: We have done that, but I take your point that we could do some more of that. We have done that and we are looking in fact, at getting a bit more into the workplace, especially places like the Ministry of Health where babies have to be registered with the claims and claim forms and so on. So, I think, I really do take your point on board, in terms of going out there some more on Facebook and Twitter and so we need to get there.

Mr. Ramlogan SC: An easy “quick fix” that would cost nothing really, could be, utilizing the communications unit in all of the Government Ministries, the mandate of which needs to be adjusted a little because the communications units in Ministries are not meant to be limited to

planning sports and family days at the odd All fours, and small goal tournaments as they do at the moment in many cases, but, really meant to educate and inform. In most Ministries with iGovTT and with the intranet within the Ministry, a simple personalized email can but easily sent out from the communications unit to all employees because they have that kind of facility and technology now, with the click of a button. So, when they come to work the first thing they would see when they check their email, would be exactly that.

Mrs. Charles: Thank you.

Mr. Chairman: Can I ask whether NIB has a marketing department?

Mrs. Charles: We have a corporate communications department and one of the things they do is this kind of work. And, also, very importantly, we also invite employers to invite us to come in and do seminars.

Mr. Chairman: All right, I would tell you why I asked that. Could you ask your department/unit, I am not sure what it is, to do a survey to determine the market penetration of your public awareness programme. Because, I think, Miss. Cox, is absolutely right, very few people know that contribution rates have gone up as of January. They know because they see it in the payslip. But, they do not know that this is a policy decision that was taken some years ago and, that it is part of an ongoing—and this is what is paying for the increased pensions and so on. So, could you do a survey to see whether you are penetrating the public, do they know this is happening.

Mr. Roberts: Chairman, through you. This is a critical point, it links Sen. Vasant Bharat point, MP Donna Cox point, and the Chairman's point. When we are talking about the risk profile and the investment and the asset base, when you first of all let people know that they have to pay increased sums, then they are going to ask why. And, when they listen now, they look at this Public Accounts Meeting and they see that investments were made without the investment committee knowing that the risk profile left much to be desired. There seemed to be a *vaille que vaille* approach to billion-dollar investments being placed into risky institutions in a fixed deposit that rolled over.

These are very critical things, because if the decisions were made in a more prudent manner then maybe the population may not have had to pay the increases but the investment yield would have covered it. So, this is why we need the answers. The current board does not know anything that I am asking. We would have to go back in the Minutes of those meetings with Mr. Calder Hart, as Executive Chairman and find out what was the rational, because it is the people money and we need those answers.

Talking about that, I would move to question (J). Can you please tell me, what is the vision, mission and objective of the mortgage department of the NIB? What is the purpose of it? Is it as an investment to increase the yield? Is it a charitable service to provide people who could not normally qualify in a regular financial institution for a mortgage? What was the mortgage department about? The director now, would not know, I am talking about back then. So, I am talking to Mrs. Lorna Charles, and whoever—what was the vision? You see, like RBC, and Scotiabank, they are there to make money. So they would give you a mortgage whatever percentage, they keep their spread and so on. They are to make money. If you do not pay they take back their house and they make money. Was that the same principle of NIB. What was the governing principle of this mortgage sector?

Mrs. Charles: I would want to, first of all, go back to the 70s and 80s of the Workers Bank and

so on era when there was this thrust to home ownership. And, the NIB was seen at the time—and I am also going back into what I have read—as a key player in helping with the home ownership issue and, therefore, worked with all the banks including the then Workers Bank to make housing affordable.

Coming into the 80s and 90s, I think the NIB moved away from that concept recognizing that its mandate really is to provide social insurance. And, we started coming out of direct mortgages and instead of doing direct mortgages, the NIB invested into TTMF and HMB significant investments, and they managed the mortgage portfolio—.

Mr. Roberts: Not to interrupt you but pause there. Coming into the 2000 and so on They invested in what? HMB.

Mrs. Charles: TTMF—

Mr. Roberts: And, so therefore, we had Mr. Calder Hart, NIB, chairman of TTMF and chairman of Home Mortgage Bank and nobody found that to strike them as odd.

Mr. Chairman: Just let me come in here.

Mr. Roberts: I would love you to.

Mr. Chairman: Before, Mr. Roberts—what shall I say—derails this meeting.

Mr. Roberts: Not derail, this is critical.

Mr. Chairman: These mortgages these go back many years.

Mrs. Charles: Yes.

Mr. Chairman: Yes, this is not 2009.

Mr. Roberts: I understand that.

Mr. Chairman: I know, but hold on.

Mr. Chairman: These mortgages where you have legal problems, where you have shortfall after sale, these would have gone way back into the 80s and so on.

Mrs. Charles: We are no longer into mortgage origination. So, these are old mortgages we are trying to clean up.

Mr. Chairman: These are old debts, that you are trying to deal with so it has nothing to do—

Mr. Roberts: “Not all eh!”

Mr. Chairman: Hold on.

Mr. Roberts: It has a new one.

Mr. Chairman: Mr. Roberts, behave—with the board that was in place in 2009, except in terms of collections.

Mrs. Charles: Yes.

Mr. Chairman: The responsibility of the board would be trying to collect these bad mortgages, but, they were not responsible for placing them.

Mrs. Charles: No, these go back to the 80s.

Mr. Chairman: So that settles that.

Mr. Roberts: So, then we could really get into, would it be made public, some of these people who had bad mortgages? Because, some of my colleagues, chairman, friends might be on that list—I have good information. But could you all provide us with that information. [*Interruption*][*Crosstalk*] I would deal with that in the Parliament

Mr. Chairman: All right, but, hold on, hold on—

Mr. Roberts: No, but more importantly—

Mr. Chairman: Mr. Roberts, Minister Roberts, it is legitimate. Is this for public consumption? Or is a private matter, the mortgages that the NIB is having difficulty with? Do you publish a list? How is it done?

Mr. Ramlogan SC: The public should be entitled to that kind of information. Must be!

Mr. Chairman: Before the AG answers for you, could you answer please? What is the policy of the NIB? Do you have a policy of privacy or publicity?

Mrs. Charles: It has not been our policy to publish a list of mortgages; no.

Mr. Ramlogan SC: May I enquire, whether that policy is documented anywhere, if so where, if I could be provided with that and the origination of it, because, these are public funds? I certainly take strong objection to the fact that public funds may have been lent to persons from whom have no prospect of recovering the funds, who we did not pursue legal action against. As would be the normal case with a bank, they lend money to anybody. If you default on your mortgage right now with Scotiabank or Republic they would sue you. And, that is how you maintain the financial viability of the organization.

So if it is NIB through Home Mortgage Bank or any other institution loaned money to anybody in this country and they defaulted on their mortgage payments and NIB did not pursue them legally and, NIB is coming to tell the country that there is some esoteric recondite policy that prevents them from telling the taxpayers who did not pay back the money and why NIB did not sue them as would be expected in keeping with corporate governance standard practice and procedure. Then, I think the public is entitled to know.

So speaking for myself, I would certainly want to know where that policy came from and if it is the policy that the board needs to take a look at. Perhaps, they should take a look at it. But, I certainly think that the public in accordance with the highest expectation of transparency in public life should be entitled to that kind of information and I would so ask.

Mr. Roberts: Mr. Chairman, just to wrap up this topic.

Mr. Chairman: Hold on, hold on. Listen, listen. There are people on my left. Let me bring this to an end. I would like the board to consider the points made by the Attorney General and by the Minister of Sports and come back to us on whether you think you should maintain your policy of confidentiality—it is really a policy of confidentiality—or whether there should be a published list of mortgage defaulters, bearing in mind this is going back 20, 30 years. So you can come back to us on that. Yes, Mr. Roberts.

Mr. Roberts: Yes. Thank you. So the mortgage component at NIB does not exist anymore, or does it still exist, and if it does not exist, when were those operations ceased?

Mrs. Charles: If I just go back to the Attorney General's, comment just to say that there are a number of matters that are before the court that were taken to the court and that we have judgments on, that we are trying to collect. And, of course, as the Chairman said, we would

provide a response to why the NIB has not had a policy of publishing the list. It is not that there is a policy of not doing it, there has not been a policy to make the information public.

Mr. Ramlogan SC: That sounds as if there is no policy. Because, if what you are saying—what you are doing is clarifying your earlier position, because earlier you said, it has not been the policy—

Mrs. Charles:—to publish.

Mr. Ramlogan SC: Yes, so what you are now clarifying is that there is no policy to publish but there is no policy to not publish either.

11.45 a.m.

Mr. Ramlogan SC: That is a very important matter and—*[Interruption]*

Mr. Chairman: Attorney General, this horse is not just dead, it is buried. Because you have made your point—

Mr. Ramlogan SC: Sir, with respect, I am going on to further the point, Mr. Chairman.

Mr. Chairman: Hold on, just a minute. Does the NIB understand what the Attorney General is asking of you?

Ms. Charles: Yes.

Mr. Ramlogan SC: I think they do. The second issue I wish to raise with you Ma'am, is there a policy, with respect to loans being given to members of the Board of NIB? I would be particularly interested in knowing whether—what are the rules that would govern any mortgage or loan being given to any member of the board, because that presents a clear conflict of interest and would raise serious questions as to the appropriateness of that and what steps one would have to take in such an extraordinary situation to protect the integrity of the institution, having regard to the obvious power that one would wheel as a director on the board. If that is the case, I would like to know.

Mr. Chairman: Before you answer that, everything has to be in the context of the 2009 annual report.

Mr. Ramlogan SC: Yes, I am dealing with it, as at 2009.

Mr. Chairman: Before you answer that, frame it in the context of the 2009 annual report and if you cannot, either now or at some future date, let us know. I really think it is a good question, but I am not sure if it is relevant to the 2009 annual report.

Mr. Roberts: Mr. Chairman, since you are being so helpful, help me get an answer to my question too, please, thanks.

Mr. Chairman: Mr. Roberts, listen—

Mr. Roberts: “Yuh” very helpful.

Mr. Chairman: Mr. Roberts, we were going good. Now, we are moving away from the 2009 accounts.

Mr. Roberts: “Ah tink ah have tuh put yuh over dey to sit down.”

Mr. Chairman: Attorney General, could you framework this in the context of the 2000 accounts, please?

Mr. Ramlogan SC: Yes, in the context of the 2009 accounts, I think the question of the policy of the NIB—

Mr. Chairman: As it existed in 2009.

Mr. Ramlogan SC: As it existed in 2009—

Mr. Chairman: Can you give that answer now, or do you have to go back?

Ms. Charles: I would need to check, because, of course, I was not involved in it at that time, so I would need to check.

Mr. Ramlogan SC: That is fine.

Mr. Roberts: As of 2009, did the mortgage component of the NIB cease to exist?

Ms. Charles: As far as I am aware, there were no new mortgages, but the old mortgages were still being managed.

Mr. Roberts: When did it stop, 2000, 1999?

Ms. Charles: When did it stop originating mortgages? If I were to—I am not exactly sure, but I think it was in the 1980s, when the whole Workers Bank/FCB winding up occurred.

Mr. Roberts: Thank you.

Mr. Chairman: We have behind us some very distinguished people who are looking on with great interest, I see. We have to decide now—because, obviously, NIB is a very exciting examination—how we are going to deal with this because there are lots of questions that people want to ask about NIB. We have not seen the 2010 accounts yet, either. Before I put a question to the committee, when are we going to get these 2010 accounts?

Ms. Charles: The audit has been completed and we are presently doing the copies with the full annual report and those should be out within a month.

Mr. Chairman: Ministry of Finance, can you confirm that when they finish their audit it is sent to the Ministry of Finance? How long would you normally take with that?

Ms. Charles: The audited accounts have been sent to the Minister of Finance.

Mr. Chairman: I am talking to the Ministry of Finance. You have sent it already? How long do you think, before the Ministry of Finance would complete its review and this committee could get an opportunity to examine the 2010 accounts of the NIB?

Ms. Charles: One month.

Mr. Chairman: Of today? You said you sent it already?

Ms. Charles: We sent the report to the Minister of Finance and we are presently doing the copies for the Parliament.

Mr. Chairman: Fine. I would like to propose and approach, therefore. The Attorney General had some questions, which he alleges were not answered.

Mr. Ramlogan SC: No, the point I was making is that at the end of the last meeting, the minutes that I received, and my recollection of same, was that, I quote:

“The clerk would write to you to confirm what the questions were.”

I, therefore, expected, after I left that meeting, that I would receive some documents identifying

the questions that I wanted to ask, based on the proceedings. I received no such letter and, therefore, I think it would be unfair to members of the NIB to now delve deeper into the questions that I did pose because they most probably were not written. From the—

Mr. Chairman: No, there is a misunderstanding. They were written. It is just there may not have been correspondence with you, to make sure that what they were asked is what you were asking.

Mr. Ramlogan SC: There are some gaps.

Mr. Chairman: Yes. What I want to propose is since we are getting the 2010 accounts within the next two months, it would reach this committee. Let us leave the responses to your queries until then and when we come back, we can start to take a look at the 2010 accounts, in addition to wrapping up the 2009 accounts. Is that okay with members? Last question.

Mr. Bharath: It relates to the mortgages accounts because, of course, if we are expecting 2010 accounts in a month or six weeks' time, we would not want to have to be dealing with this again. Has a reconciliation been done of the mortgages account? I notice you have double loans relating back to the Workers Bank days. Has a reconciliation been done and a determination made on those accounts that are recoverable and not recoverable? Of course, it impacts on your asset values. And, are we to expect that information will be corrected in the 2010 accounts that we will receive in a few weeks' time? Or are we likely to be dealing with exactly the same issues in 2010?

Mr. Roberts: The same issues.

Ms. Charles: From an accounting perspective, we have provided for these figures that we have not been able to reconcile, but because of the sums involved, we are still looking at all our options to see what can be collected, whether from the sale of the properties, the persons who owed the money, or the bank itself.

Mr. Bharath: Could you tell us at this point in time what the level of provision is?

Ms. Charles: The sum of 100 per cent, I am advised, has been provided for in the accounts.

Mr. Bharath: And the dollar value is?

Ms. Charles: That is of the \$91.6 million.

Mr. Chairman: We will contact the NIB as soon as we get the accounts for 2010 from the Ministry of Finance, as soon as it comes to Parliament. In the meantime, we would check to make sure all the questions the Attorney General wanted to ask were asked of you. If there are a few outstanding questions, you would be written to and we will contact you when we would like you to return.

What we would like you to do within the next two weeks, if you can, is respond to the questions we asked today in writing please, because there are some specific questions that members asked today. The clerk would write you and clarify what those questions are. He would have a little trouble trying to summarize what these two gentlemen at my right asked, but he would try.

Mr. Roberts: Mr. Chairman, I know that you are very resourceful. I think it would be more prudent if you could use all of your wiles to get Mr. Calder Hart to come and sit here. Do you think that is possible?

Mr. Chairman: This meeting is now suspended for five minutes. Thank you very much and I look forward to meeting you on the next occasion.

11.54 a.m.: *Meeting suspended.*

**VERBATIM NOTES OF THE PUBLIC ACCOUNTS COMMITTEE HELD IN THE
ARNOLD THOMASOS ROOM (EAST), LEVEL 6, TOWER D, THE PORT OF SPAIN
INTERNATIONAL WATERFRONT CENTRE, 1A WRIGHTSON ROAD, PORT OF
SPAIN, ON TUESDAY, JANUARY 29, 2013, AT 10.40 A.M.**

PRESENT

Mr. Colm Imbert	Chairman
Mr. Anand Ramlogan SC	Member
Mr. Jamal Mohammed	Member
Mrs. Corinne Baptiste-Mc Knight	Member
Miss Ramona Ramdial	Member
Mr. Colin Partap	Member
Mr. Anil Roberts	Member
Mr. Terrence Deyalsingh	Member
Miss Donna Cox	Member
Mr. Ralph Deonarine	Secretary
Miss Candice Skerrette	Asst. Secretary
Miss Candice Williams	Graduate Research Asst.

ABSENT

Mr. Vasant Bharath	Member
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**OFFICIALS OF THE NATIONAL INSURANCE BOARD
OF TRINIDAD AND TOBAGO**

Adrian Bharath	Chairman
Ruben Mc Sween	Director
Harry Hospedales	Director
Karen Gopaul	Executive Director (Ag.)
Esther Charles	Executive Manager Finance and Business (Ag.)
Ashook Balroop	Executive Manager Legal Services (Ag.)
Michelle Chong Tai-Bell	Director

Mr. Chairman: Good morning, and thank you for coming. This is not the first time we have examined the NIB as a Committee, but I believe the NIB has some new people. So, what I would ask the representatives of the National Insurance Board to do, is to introduce themselves and indicate whether they are new or not new.

Mr. Bharath: Good morning everybody, my name is Adrian Bharath. I am the new chairman of the NIB. I was appointed on December 13, 2012. My background is in accounting and finance.

Mr. Mc Sween: Good morning, Chairman, everyone. My name is Ruben Mc Sween. I have been with the NIB on the board for the last six/seven years.

Ms. Gopaul: Morning, my name is Karen Gopaul. I am the Acting Executive Director. I have been with the NIB for about 23 years.

Ms. Charles: Good morning, my name is Esther Charles. I am the Acting Executive Manager Finance and Business and I have been with the board for probably 25 years.

Mr. Balroop: Good morning everyone. My name is Ashook Balroop. I am the Acting Executive Manager, Legal Services. I have been with the board for approximately two years.

Mr. Hospedales: Morning everyone. My name is Harry Hospedales. This is my second term as a director of the National Insurance Board.

Ms. Chong Tai-Bell: Good morning. I am Michelle Chong Tai-Bell. I was appointed in December 2012 along with Mr. Bharath. I am an actuary by profession.

Mr. Chairman: Fine. On our side we have our Consultant, Mr. Ramcharitar, accountant; Attorney General, Mr. Ramlogan SC; Minister of Sport, Mr. Roberts; Mr. Deyalsingh, Member; Mr. Partap, Member of Parliament. Well, I am the Chairman, Colm Imbert; Secretary, Mr. Ralph Deonarine; Assistant Secretary, Candice Skerrette; Minister Ramdial, Member; Miss Cox, Member; Mr. Mohammed, Member; Mrs. Baptiste-McKnight, Member and then two representatives from the Comptroller of Accounts.

Okay, the Attorney General has asked to go first. I think he has some pressing business elsewhere. So, AG, the floor is yours.

11.30 a.m.

Mr. Ramlogan SC: Thank you very much, Mr. Chairman. The first point I wanted to raise, ladies and gentlemen, was the Clico figure on the books. It is not an insignificant figure; it is over \$625 million and it is shown as a receivable in the books of NIB. Now, I know that, at 2010, there would have been litigation. I know that since 2010 to now things would have happened, but I am concerned that about the fact that over \$625 million is being shown as a receivable and to what extent that is realistic and practical; and to what extent it may be mere wishful thinking. A \$625 million figure on your books that may not be in reality something that is in fact receivable could have the effect of artificially inflating the accounts in a way that could be detrimental down the road.

We have had a statutory stay imposed by the Central Bank amendment. We also have many creditors who have judgments against Clico and we all know what the position is. I do not know, as well, if the Government's MOU and the bailout plan and so on covers this particular situation.

I am seeking, firstly, clarification of what is the position vis-a-vis your understanding of

the Government's plan and how it impacts on this; and, secondly, I wanted to know: is there a plan B in terms of your financials? In other words, if you take out this figure, assuming none of it is going to be actually received by NIB and this really ought to be written off as a bad debt rather than carry it as a receivable, what impact does that have on the accounts of NIB? That is what I am interested in, firstly.

Ms. Gopaul: Based on our understanding from the judgment from the court in September 2011, we are basically, as you just said, treated like another third party creditor. We have had some discussions with the Ministry of Finance and the Economy and we are aware of what you just spoke about with respect to Central Bank, so we are still pushing, hopefully, to get this money because, as you know, we treat with beneficiaries and we have long-term beneficiaries down the road so we would really like to recover it. That is really our position, so we are hopeful in that regard. We believe that we fall under the Memorandum of Understanding with respect to the other creditors, so that is our position right now. That is the first part of your question.

The second part, plan B, our board and the executive management, we have been having discussions with respect to what we can do to increase our return on our investments and our funds and we are looking at different instruments that we can invest in. All this, of course, has to be discussed with the Minister of Finance and the Economy and the appropriate approval will have to be obtained from Parliament, so presently that is in discussion.

Mr. Ramlogan SC: The second part of the question really has to do with a plan B for the financials. Is there another financial forecast that is predicated, done on the basis that you would receive 10 per cent or 25 per cent of the \$625 million?

Mr. Bharath: Mr. Chairman, as part of the first exercise that we are doing, we are doing an analysis of the balance sheet both on the valuation side and the liability side because the eighth actual valuation was just presented. We are going to look at a worst case scenario with respect to impaired assets, not just the Clico assets, but there may be other assets that are impaired inside there. So, internally, we are in the process of doing an exercise to assess the true state of the balance sheet and the worst case scenario for the funding gap that exists.

Mr. Ramlogan SC: I would want to suggest strongly that perhaps this be dealt with as a sort of a permutation. I think this should be treated as a financial permutation so that you can have the benefit of both the worst case scenario and the best case scenario. We have seen what happened to, not only Clico, but the Allen Stanford empire right there in Antigua and we should be very careful about carrying such a large receivable without reference to the financial context and reality that surrounds it with respect to Clico.

Mr. Roberts: Mr. Chairman, just to follow-up on the Attorney General's question, and it is not for Mr. Bharath and Miss Michelle Chong, who have just arrived. It is for more of the people who have been there 23, 25 years. What is pertinent is the timing of these investments. What was the decision-making process and what have we changed to ensure that mistakes like this will not be made again?

Let me reiterate. Your first deposit in Clico was July 2008. The last audited accounts that were made available were December 2007. They become available around that same period and anybody with a tiny amount of Form 5 accounting could have seen that Clico, CL Financial at that time, was 92 per cent geared and, at no point in time, would anybody take their money or anybody else's money to put into an institution like that, that was on the brink of collapse. Yet we continue to put, not only from July 2008, we continued well into 2009 even

though on January 30, 2009, it became known to the world at large that this financial institution was going to collapse. What was the process then and what changes have been made now to protect the taxpayers' moneys and the money of pensioners who look forward to relaxing after many years of hard work?

Ms. Gopaul: Between 2008 and 2009, we did multiple investments as you indicated in CIB, well, Clico Investment Bank and CL Financial. These were basically small deposits made over a period of time and redeposited. What we have done since then is that when the previous board came in, they reviewed the investment policy statement and the authority that was awarded at each level of the organization from the Investment Manager to the Executive Manager, Investments, coming up all the way to the board. That has since been revised and we have a new investment policy and we are now relooking at the limits of authority for the various persons throughout the organization, the investment committee and the board.

At the same time, while we want to prevent what occurred before from happening again, we also have to look at the fact that NIBTT needs to be aggressive in its investments because we have to achieve a high rate of return in order to meet our long-term liabilities. We are now looking at what level of controls we need to put in place so that we can, on the one hand, continue to get good investments and, on the other hand, we make sure something like what happened before does not happen again.

Mr. Roberts: Let us be a little more specific to remind the committee. What occurred at that time was a loophole was utilized in short-term deposits; then short-term deposit investments were allowed to keep turning over to become a long-term investment without having to get board approval. Have we tightened that loophole?

Ms. Gopaul: The answer is yes.

Mr. Roberts: When we are being aggressive, what is the definition of aggressive because putting money into a totally collapsing organization that promises the world when anybody would understand that it is not possible cannot be described as aggressive; it could be described in other adjectives I would not use here. However, how can we go forward now because we know the long-term, as the MP for Diego Martin North/East and Chairman states, within the next few years it is going to become very critical that our investment portfolio produces and generates revenue so that the programme can continue without burdening our young working people? What is that definition? Who is in charge of that? Is it only the board, or do we have external experts who can advise us on international packages as well as local packages?

Mr. Bharath: Chairman, can I just answer that question? Currently, in the NIB, there is an immediate requirement to increase the risk management framework and build the capacity inside there to prevent any future investments in high-risk securities. That is going to require HR capacity infrastructure and so on, which we are looking at. In addition to that, the audit committee is an essential part of the whole process because that sets the tone and discipline of the entire organization. In addition, the new Insurance Act is going to increase the requirements for compliance based on the whole Clico issue, and with the National Insurance Board being such a huge entity and the systemic risk to the entire economy, we are putting a lot of emphasis on the strength of the audit committee. Michelle Bell, who is a member of the Central Bank, is the chair of that audit committee and I have every intention of facilitating that committee directly to the board so as to mitigate—

Mr. Roberts: Final question. There were interlocking directorships where there was an executive chairman, Mr. Calder Hart, and he was also on the mortgage finance company and

the TTMF, in which NIB also has substantial investments. Have we now ensured that no one human being can control so much of the people's money?

Mr. Bharath: Yes, the Chairman of the NIB is just chairman of the NIB. The two subsidiary companies, Home Mortgage Bank, Mr. Harry Hospedales, who is the Government representative, is the Chairman there and Mr. Albert Vincent, who is the Government rep. as well, is the chairman of TTMF.

Mr. Roberts: Thank you.

Mr. Chairman: Actually, Minister Roberts, the AG did say that he wanted to go first, "eh".

Mr. Roberts: We are good team.

Mr. Chairman: It is all right. I just wanted to get some clarification—

Mr. Mc Sween: Mr. Chairman, would you allow me just to clarify two points that were made for the sake of correctness?

Mr. Chairman: Before that—no problem—I have a question. I heard Miss Gopaul say that the NIB believes it is covered by the MOU. Did I hear that correctly.

Ms. Gopaul: Yes, that is correct.

Mr. Chairman: So that implies that you hope that if you cannot recover the money from Clico, you will recover it from the Government? Is that what you are saying?

Ms. Gopaul: We are presently in discussions with the Government on the matter, so I would not like to divulge what the discussions have been, but—

Mr. Chairman: That is all right, but that is not what I meant. What I mean is: are you saying that if you are unable to recover this \$630 million from Clico, that you are considering making an approach or an application to access the money, as all of the other beneficiaries have, under the MOU? In other words, you are considering making an application or exploring the possibility of receiving that money from the Central Bank via the Ministry of Finance. Is that what you are saying?

Ms. Gopaul: At this time, we are considering all our options and that would be one of the things we would look at.

Mr. Chairman: You realize that if you do that, then the money has to come from somewhere? There is no money tree in the Minister of Finance and the Economy. That is just another liability on the books. Okay, no problem.

Mr. Mc Sween: Mr. Chairman, if you would allow me just to correct one or two observations that were made. One is that it is fair to say that NIB is not the only institution actually; all the institutions in Trinidad and Tobago conduct roll-over deposits, so roll-over is not something exclusive to the NIB. It happens with all the banks; it happens with the Unit Trust. That is just the way the investment environment works because it is a question of what is available and there are risks associated with reinvestment and that will inform whether you embrace a roll-over or you do not. I just wanted to make it clear that it is not exclusive to NIB.

Another point I want to make clear is that Mr. Calder Hart was not executive chairman of NIB. I am saying it for clarification. He was merely the chairman and if you review the Act of the NIB, it would be clear to all and sundry that the chairman's power is really limited in that the other members of the board, really and truly, are the ones with the power to vote or

not to vote. I just wanted to make that clear.

The last point I wanted to make very clear is that, at no time—I am not in the mind of the previous Executive Manager or anybody else, but it would be difficult for me to sit here and accept the point that members of NIB staff or board or committee would have known that Clico was on the brink of collapse or words to that effect and invest in it.

11.45 a.m.

That would be tantamount to being reckless and I am merely submitting that certainly, that was not the environment; it was not what would have informed decisions and I just thought it was only fair for me to intervene and make that very clear. So that even though it may be perceived that errors were made, certainly, that was not the climate in which decisions were made.

Mr. Roberts: Mr. Chairman, let me just respond, immediately, because Mr.—*[Interruption]*

Mr. Chairman: Mr. Roberts?

Mr. Roberts: No, you do not need to—*[Interruption]*

Mr. Chairman: Minister Roberts?

Mr. Roberts: Mr. Mc Sween, no, I need to respond one time.

Mr. Chairman: Minister Roberts?

Mr. Roberts: Mr. Mc Sween was not here in the last one, so he is not alerted to the fact that the short-term deposit, was a system in the NIB where the tenders committee and the committee would invest, and if the amount of money or the length of investment—there was a proper system in place—the only one that did not require a committee of the board and in which the Chairman could ensure that it rolls over was this short-term deposit. And these deposits that rolled over, this lot of millions of dollars, they rolled over about 12 different times so they never had to go to the rest of the board.

So I am just saying that came out here previously when you were not here. Secondly, I apologize for saying Executive Chairman, but I meant Chairman of many separate entities which ensured that he could have decision-making powers, across the board.

Mr. Mc Sween: Chairman, I certainly—*[Interruption]*

Mr. Chairman: Mr. Roberts, if you do that again, I will have to put you out.

Mr. Roberts: No problem, I will go willingly.

Mr. Chairman: Okay? So please give me your assurance you will not do that again?

Mr. Roberts: I will.

Mr. Chairman: You will do it again or you will not do it again. Are you giving me assurance you will not do that again?

Mr. Roberts: I will not do it again.

Mr. Chairman: Okay, thank you. Mr. Ramlogan.

Mr. Ramlogan SC: Thank you very much, Mr. Chairman. The second question I had, had to do with the portfolio yield. I believe your projection was for a yield of a little over 9 per cent, and you actually realized a little over 6 per cent. Now that is a 3 per cent difference, and whilst

3 per cent sounds very small, when you translate it, it actually works up to over \$500 million. That means that you earned less than you projected to earn, and the less figure there is \$500 million.

So I was concerned; it is either the projections were off or something went wrong with the actual management of the investment itself. I do not know which it is, or is it that we need to take a second look at the financial template we are using to make these projections, such that we are setting up ourselves for failure. Because if you make a projection of 9 per cent and you achieve 6, something has to be wrong. It is a \$500 million shortfall and it does not look right.

Ms. Gopaul: In response to the question, yes it was an ambitious target, and it was done in the context of what happened in the **seventh actuarial review** and the benefits that were offered and what the NIB needed to do to make sure that we could finance those benefits, now and in the future. In terms of the particular year, 2010, what we saw is that interest rates continued to be low, which we expected, but what we did not expect was that we would not have been able to access so few corporate bonds. We were able only to access one corporate bond, that was a government guaranteed bond in CL Financial for \$64.5 million.

What also happened was that the share prices of a lot of the shares dropped, and we have a high density of shares in Republic Bank and Neal & Massy. So in terms of Republic Bank and Neal & Massy alone, the value of what we lost was \$309 million for Republic Bank and \$84 million for Neal & Massy. Now, because the investments available were so small, we ended up doing a number of investments in short-term deposits and with Central Bank in T-bills, and there we invested with First Citizens Bank and UTC.

Mr. Mc Sween: AG, if I may add to it, you are absolutely correct in terms of your observation. I am agreeing with the AD that we were a bit ambitious, but do understand that that ambition was benchmarked against an environment that changed drastically, locally and globally. You will recall that the financial markets throughout the world, basically, almost collapsed. In some countries they were deemed to be insolvent—our neighbours.

So what transpired is, while in part, we may have been somewhat ambitious. The main point to notice is that world economies, the local market changed drastically on us and that would have retarded our ability somewhat, to achieve some of the things we intended to. So you are correct, concerned, and certainly going forward we have to, I guess, be more cautious and do different scenarios to avoid a recurrence. But just to note that the local and global markets changed drastically in 2008, between that period, and even today we have certain countries reeling from that.

Mr. Ramlogan SC: I appreciate that and may I just ask them? In the previous year, does anyone know what was the projected as opposed to an actual?

Mr. Chairman: While you all are trying to get that information, may I ask when was this target fixed—around when?

Ms. Gopaul: The target would have been set in February 2009.

Mr. Chairman: And you are saying that in February 2009, it was not apparent that we had a global financial crises?

Ms. Gopaul: No, we are not saying that.

Mr. Chairman: What are you saying then?

Mr. Mc Sween: What I am saying, if I may, Chair, I am saying that one would recall that Trinidad and Tobago, believe it or not, was impacted the least, throughout the world, when you look at performances throughout the world. So that even in 2009 when the world was collapsing around us, we were still doing pretty well. That in part would have influenced the decision.

Mr. Chairman: All right, but just let me make a point. I do recall being in government at the time and we had to go back to the Parliament to do a mid-year budget to cut the government's expenditure by a significant amount, maybe 25 per cent, and that was in mid-2008, so why nine months later was the target being set of 9 per cent return? I am just asking.

Ms. Gopaul: If you look at the seventh **actuarial review** for the five-year period, 2005 to 2010, the average rate of return that the NIB needed to achieve was 9.3 per cent. So because of that, even though you saw these other things happening, we still needed to try and achieve, and that is to provide the benefits that were—*[Interruption]*

Mr. Chairman: Thank you, you have answered the question.

Mr. Ramlogan SC: Yes. Well that is what I thought, and I think it is better to come clean and say that because that is clearly what happened. It had nothing to do with the environment; it really had to do with that. And that is why I asked the question about the previous year, because if it is in the previous year, your projected as opposed to actual, gave you the same differential and gap, then it impacts on your ability to say that you ambitiously projected in a declining world economy.

But if I may move on from that, that was on the local side, if I may be permitted to take you to the international investments. About roughly \$2 billion of your money is invested in the international side, when I looked at it there is no separate disclosure statement on the performance of your international investments, and I wanted to know why is there no separate disclosure statement to speak to that important aspect of your investment portfolio. It is \$2 billion but there is no separate disclosure in the statements about it.

The second point is that that international investment portfolio, I wondered whether—I mean it was roughly a little over 10 per cent for the 2010 accounts, but when I looked—and I know Chairman, we are not permitted to refer to the other accounts, but just taking a sneak peek at the 2011 accounts, that figure jumps from a little about 10 per cent, it jumps from 10 to 16 per cent. So it shows that the international investment portfolio is actually increasing in significance in the basket of all your investment commodities. I am concerned as to whether or not given that increase in the significance of the international investment aspect of your portfolio whether we have the resident expertise. It is not a criticism of you, personally, but does the NIB actually have the resident in-house expertise to manage an international securities portfolio worth \$2 billion, given the situation in the world economy and the vagaries and permutations that occur on a daily basis, or is it that we should be utilizing the services of an external fund manager to manage this international investment portfolio.

Mr. Bharath: Sorry, Mr. Chairman, if I could just deal with it holistically. I have the actuarial valuation report for 2010, and the projections. I will call it out for each year: 2005/2006, projected was 10.7 per cent, actual was minus 1.8 per cent; 2006/2007, projected was 9.8 per cent, actual was 5.4 per cent; 2007/2008, projected was 8.9 per cent, actual was 15.5 per cent; 2008/2009, projected was 8.7 per cent, actual was negative 1 per cent, that was when the financial crisis occurred; 2009/2010, projected 8.4 per cent, actual was 3.9 per cent, Trinidad and Tobago was actually going through a recession at that point in time.

In dealing with the division between the returns on the foreign portfolio as opposed to the local portfolio, we have that information internally and I am sure we can get that for you. I am not sure why it is not listed in the financial statements. The point that you make about the foreign investment is a key point for Trinidad and Tobago. The concentration risk domestically, is high with 90 per cent of the investments investing in Trinidad and Tobago, and when you have an event like a Clico, per se, that has a systemic risk it could impact the entire economy.

Other pension plans have a split of 80/20, with 20 per cent of the overseas investments, and my understanding is that they actually want to increase it. We at the NIB believe strongly that that concentration risk is too high, domestically, and we are going to ask the Ministry of Finance to increase it to 20 per cent foreign investments. The other aspect that we have is in respect of the definition of what is considered a foreign investment; 10 per cent of the portfolio of the foreign investment portfolio, 10 per cent of the fund is in the overseas investments, but certain locally listed shares, as I understand, for example Sagicor and RBC after the purchase of RBTT, even though they are on the local stock exchange, they are defined for the purposes of the pensions and so on, as foreign investments, and that is what took us over the limit, and that is what it currently exists.

That is the current situation right now. We will be approaching the Ministry of Finance to ask them for a split of 80/20.

Mr. Chairman: But there is another point that the AG raised which has not been answered, is why is the NIB managing foreign investments in-house, rather than using a fund manager?

Mr. Mc Sween: Mr. Chairman, if I may take that question. To answer your question AG, we do not have the expertise in-house—that is one, and, two, we are not managing these foreign investments in-house. We do have four investment managers actually managing on our behalf.

Mr. Chairman: That is not mentioned in your report.

Mr. Mc Sween: It may not have been mentioned but that is the fact.

Mr. Chairman: Yes, well we will only know if we ask you and you tell us.

Mr. Mc Sween: Well, I think, I am glad to report the facts, Chairman.

Mr. Chairman: I think you should put that kind of information in your reports from now on.

Mr. Ramlogan SC: Yes, I think, Chair, that is a material omission that ought to be corrected, but more than that, it raises questions as to whether or not—as to the competence of the four managers that you have hired. Because if you have hired four international external managers to guide you and their own performance metrics give you a projected yield that is not met by 3 per cent, then something is awfully wrong with their own ability to project and forecast.

I mean, what are the performance metrics that are used to judge the success of these investments? What are the appropriate benchmark indices that you all are utilizing, for example? What is the breakdown of the basket of investments that you all are making on the international scene? I would have thought, for example, I take the Chairman's point; Mr. Bharath is quite correct in saying that you want to manage your risk exposure and limit its vulnerability, given what is taking place in the local economy, and you would not want to put all your eggs in one basket.

So I could well understand why you wish to have a greater diversification of your

investment portfolio and put some more on the international scene. But in so doing, you have to inspire public confidence in your ability to actually place and manage an international investment portfolio. It is \$2 billion right now, and it has jumped from 10 to 16 per cent of your overall investment portfolio. I mean, is there a separate investment policy for foreign investments in the NIB? I have seen no note about that, but one would have thought that given what the differences are in local investment as opposed to international investment, you will need to have some different kind of policy guideline and some different policy framework to guide you, but to cap it off, to say that there are four external managers does not assist in elucidating the answer to the question as to why is there such a differential.

Mr. Bharath: Chairman, if I may also take this question. That is a very valid point AG. The size of the fund being TT \$2 billion is very significant for the citizens of Trinidad and Tobago, however, fund managers in foreign countries may not give it the importance that it deserves. It is not small but it may not carry the importance as we would carry it here in Trinidad and Tobago.

12.00 noon

Mr. Bharath: The problem is that the skill sets required for something like that is scarce in Trinidad and Tobago, and you are competing with the private sector for those kinds of resources. So it is somewhat impractical for us in the NIB to think it is an easy resource to get internally, hence the reason you have to look at fund managers outside.

One of the things that we probably would be looking at is closely monitoring and setting the risk criteria and framework, and monitoring it on a regular basis to make sure the fund managers actually carry out and execute the investment policy strategies of the NIB, and if they do not, hold them accountable for it.

Mr. Roberts: Mr. Chairman, I would just like to say that clearly from listening to Mr. Bharath, the new Chairman, I could see that we all feel a little more confident in the direction that NIB will go. However, what is still worrying me is what we are analyzing here. We are analyzing some mistakes or some reporting that has occurred in the past.

Mr. Mc Sween, you stated that in February 2009, Trinidad and Tobago had not been impacted by the 2008 global financial meltdown. Therefore I have two questions: one, we have just heard there are four ghost managers that we will be reported on, who handled the foreign portfolio. I think that is very critical to be in a report for us to know and to analyze properly. But I would love to know who was managing the local element, because No. 1, in 2008 a loan, some of the favoured stocks and the strongest stocks such as Neal and Massy, Sagicor, Republic Bank, some fantastic companies that had great balance sheets, lost 22 to 25 per cent of their value.

I believe off the top of my head Guardian Life went down from \$25 to \$13, Sagicor went from \$22 down to \$11, Neal and Massy went from \$55 to \$42. I have a bit of a portfolio that I manage by myself with local people. So how could you in 2009 decide that we want to make a 9 per cent return and say that it was possible to get that on the local stock exchange, one, when it is not big enough to generate any sort of vast turnover and it was being impacted by the global financial meltdown? Who made that decision? Who was advising and have we changed, going forward now?

Mr. Chairman: Before you answer Mr. Roberts. You have asked the same question about three times in three different ways.

Mr. Roberts: “Because they eh answer it yet.”

Mr. Chairman: That is the last time you will ask that question, [*Laughter*] but I think you all need to answer the question.

Mr. Roberts: Please.

Mr. Mc Sween: Mr. Roberts, I never said—and if I did, I stand corrected—but I believe I said that Trinidad and Tobago was not impacted as the rest of the world. This does not say that we were not, of course we were, but relative to countries throughout the world, we stood our ground. If you look at the performance of Trinidad and Tobago, compared to many countries in the world, we did better than they did. That is my point.

The question as to who made the decision in February 2009, I am sorry I cannot answer at this point in time. Of course that decision would not have been made in February 2009; that decision would have been made in 2008, but I do not have a specific answer for you as to who and exactly when that decision was made.

Mr. Chairman: But I am sure we will get it in due course. I would hate to have another session with the NIB, and Mr. Roberts asks you the question again and then I put him out. [*Laughter*] So please provide the information, and we are going to write you on this.

Mr. Roberts: Thank you, Sir.

Mr. Ramlogan SC: If I may take you to your mortgages portfolio. Although it is relatively small in the overall context and scheme of the work that you do, the mortgages portfolio for NIB has been nothing short of a dismal failure. When one looks at your 2010 provision for losses, over 50 per cent of your portfolio is put into that category. When one quantifies that over 50 per cent of nonperforming loans basically, it works up to over \$50 million. It is probably about \$63 million, and \$63 million is nothing to sneeze about.

The past due amounts to \$51 million. I could not understand why firstly NIB would want to involve itself in mortgages at all, given that it has a 51 per cent controlling interest in the Trinidad and Tobago Mortgage Finance Company and the Home Mortgage Bank, and both of those institutions are already well established and accredited for doing mortgage business. So why is the NIB not sticking to its core business and engaging in mortgages, when really it does not seem to have been a very useful financial expedition or adventure? Where do we go from here?

What steps have we taken to try and recover the outstanding loans on the nonperforming mortgages against those who have defaulted on their mortgage payments? How long have they defaulted? The limitation period in this country to sue is four years. So if someone has defaulted and four years have elapsed, you cannot sue them again. Are you keeping it in your books to fool people or are you really shedding the dead weight in accordance with the law?

Ms. Gopaul: I might not answer it in the same order that you asked, but we stopped giving mortgages out in about 1994. We started giving mortgages out in about 1979 or thereabouts, so this is not something that was just started. What has happened though during that time is that the good mortgages were sold to HMB. So what NIB was left with were the ones that did not perform very well, except for what we had in-house with staff.

Those were managed by Workers Bank and then First Citizens Bank. There were some problems with the recording of information. We took it over in 2006 and we started to clean it

up, and we have gotten it down from the 2,000 mortgages that it was then, to the figures that you see now.

Mr. Ramlogan SC: Just to stick a pin. If you stopped lending in 1994, I wonder how many of the nonperforming stock really relates to a period that is outside the four-year limitation period. The point I am making is that if four years have elapsed and someone has defaulted on their mortgage, you really cannot sue after four years. Really then that ought to be written off as a bad debt rather than remain on the books. I want to know whether you have looked at that, because it may very well be creating an artificial bump in the books again.

Ms. Gopaul: I think \$42 million of that is collectively impaired. That is the part where we have a problem with. We are presently, I should say, doing an investigation into it, to make sure that we do not compromise anybody's reputation, because I do not know if you know the process for the write-offs. The process for the write-offs is that we do our investigation, make a proposal for write-off; it goes to our investment committee and then the board. Following that, it goes to the Ministry of Finance and the Economy to write-off, so that means the information would leave the NIB and going to another agency. Because of that, we want to be very careful to make sure that when we say you are the person who defaulted on the debt, we are correct.

We have had some problems when the records were held under First Citizens Bank, and right now we have started a project. We look at how best we can clean up those records, and then go forward and clean them up. That is the process we are in right now. We are looking towards June 2014 to complete that exercise. But you are correct, we have a lot to look at and clean up.

Mr. Ramlogan SC: If I may just cap off the point. It is not so much a question of a write-off. A write-off implies that you could legally collect the debt and you have decided to write it off because perhaps, for example, it may cost you too much to pursue it. The point I am making is that in law you have only four years by law to actually sue to recover a debt. Once that four years passes, legally you are incapable of recovering the debt. So there is no question of a write-off. It is a question of it actually dropping off the books by operation of the law itself.

So that if I owe you money and I default on my payment in January of this year, four years henceforth if you do not sue me, you cannot after that. So there is no write-off involved. My rights kick in, and my right is that you cannot sue me. If we look at it from that perspective, it might save us a lot of the bureaucracy and the red tape from one institution to a Ministry and all of that, and the verification procedures. I just want to mention it so maybe you could look at it from that perspective. It maybe that the guillotine should fall and you may very well be able to shed a lot of dead weight, but it also means that the financial health of NIB will be properly and more accurately and better reflected in the accounts.

Ms. Gopaul: We will take your advice on board.

Mr. Chairman: AG, do you have any other points?

Mr. Ramlogan SC: The couple of last points I will just make them and leave them, Chair, because they were made in the report as well.

The net contribution in after benefit payments—there was a decline of \$19 million. That of course follows a decline of \$40 million in 2009. It might be useful to know what the reasons were for that dramatic decline and what has been done to stem the tide of that.

With respect to the contribution rate—there is an increase in the contribution rate, that

might be something the committee might want to hear from you on. The last point really had to do with the reporting of the audit report which goes to the Executive Director as opposed to the audit committee. Why is that so?

Ms. Gopaul: That is how it was before. We have relooked at the process and now the internal auditor reports directly to the audit committee and there is a broken line to the Executive Director. So that would take care of that.

Mr. Ramlogan SC: That is a commendable change and improvement, because it clearly really was a potential conflict of interest situation, to have an independent audit report going to the Executive Office as opposed to the audit committee. I am happy to hear that has been rectified.

Mr. Bharath: Actually the latest auditor's report is addressed to the Directors at the National Insurance.

Mr. Ramlogan SC: Excellent.

Mr. Deyalsingh: Good morning, members. If we could change gears slightly. My first question has to do with the National Insurance Appeals Tribunal. Am I correct in assuming that there has been an increase in outstanding matters from 41 in December 2001 to 742 in September 2010. Is that increase correct?

Ms. Gopaul: I cannot respond to the exact numbers, but there was an increase because for a while there were no sessions held with the appeals tribunal.

Mr. Deyalsingh: Okay, great. I have some figures here which tell me that there was in fact an increase from 41 in December 2001 to 742 in September 2010, which is an exponential increase to say the least, almost a 20-fold increase.

When I look at the categories of persons waiting for relief, we are talking about maternity benefit, injury medical expenses, injury disablement. We are talking about small people with serious issues who are seeking relief, maybe in thousands of dollars. We have been talking in the millions and billions so far—survivor's benefit, funeral grants. Your core business, as I understand it, should be paying claims. That is your core business; that is what insurance is there for. Let me ask a question: how often does the National Insurance Appeals Tribunal meet?

12.15 p.m.

Ms. Gopaul: In that time they were not meeting regularly. They were actually moving offices and other changes were going on. Right now they meet at least once per month.

Mr. Deyalsingh: At least once per month?

Ms. Gopaul: Yes, and sometimes twice a month, but a backlog was created during that time. I do not know if you realize, the National Insurance Appeals Tribunal does not report to the NIBTT. You realize that, right?

Mr. Deyalsingh: Even so.

Ms. Gopaul: Okay.

Mr. Deyalsingh: You still have a fiduciary duty—

Ms. Gopaul: Yes.

Mr. Deyalsingh:—to ensure that the people who pay their National Insurance Benefits to the

NIB do receive some sort of redress, some sort of swift justice. Now, regulation 15 of the National Insurance Appeals Tribunal says that the tribunal must respond within three weeks to a claim, and we have claims stretching back 10 years. This surely is an injustice to small people with a broken leg, with a stroke. I mean, they have absolutely no redress. Can you use your good offices to influence the tribunal?

Ms. Gopaul: We have had some meetings with the tribunal and we are not in this phase of the recommendations that you heard last night, but we are looking to do another phase of recommendations where we would be reviewing and tightening up procedures on both sides, NIB and the Appeals Tribunal. Now, the Appeals Tribunal falls under the Ministry of Finance and the Economy but they do speak with us from time to time because of the problems we have had. We have helped them sometimes reconcile the records and so on, and they have asked us also to collect some of the documents from the claimants when they file their appeals. In some instances we try to speak to the claimant and try to settle the matter before they appeal, but really the final decision is up to the claimant.

Mr. Deyalsingh: Have you been—the nature of your correspondence to the Minister of Finance and the Economy with the Ministry of Finance and the Economy—has it borne any fruit as far as getting the Ministry to speed up the appeals process?

Ms. Gopaul: Recently the Ministry has been relooking at the process that they have and they asked us questions, we are assisting them in that regard where we can.

Mr. Deyalsingh: The reason why I asked, we have a report here from Ramcharitar and Associates which says that they have been writing to both recent Ministers of Finance, the former Minister, Winston Dookeran and the current, Mr. Larry Howai from the period January 2011 and to date they have gotten no response. This is not your fault. But I just want to appeal to the NIB, appeal to the Chairman to please use your good offices to impact upon the Ministry of Finance that they really need to see about these claims for sick people, people who want to bury their dead, people with their broken limbs, maternity benefit, please. That is all I want to ask. Thank you.

Mr. Chairman: Is that it Sen. Deyalsingh?

Mr. Deyalsingh: Yes, Sir, thank you.

Mr. Chairman: Okay. Anybody on this side?

Mrs. Baptiste-Mc Knight: Thank you, Mr. Chair. I just have two questions; first I am wondering whether you would be able to say whether the NIB has clarified its position with respect to the Green Fund Levy Taxers?

Ms. Gopaul: First, I would start with NIB's position is that we do not have to pay it, right. This is based on the fact that we hold the funds in trust to pay benefits, and the Green Fund Levy Tax, well the Act, it does not specifically state that we have to pay it. When you look at—that means you have to fall under what is covered in our section of the NI Act. It tells us how we could dispense with the revenues of the board. Right. That is under section 22. It is also silent specifically on that matter.

Then we look at the intent and the practice you see that we do not pay corporation tax we do not pay that. So that is why we hold that position. But having heard the auditor's concern we have taken steps to clarify this with the Board of Inland Revenue and Legal Affairs.

Mrs. Baptiste-Mc Knight: Do I gather then that this situation has not been definitely

resolved?

Ms. Gopaul: Not as yet. Not at this time.

Mrs. Baptiste-Mc Knight: Very well. My second question is in—I am querying your situation with respect to property management, specifically the Palmiste Estate where your auditor recognizes some problems with squatting et cetera, and you had undertaken to address the issue during the last financial period. Could you tell me what this current situation is?

Ms. Gopaul: Sorry about that. We are not too far along in where we have reached, but we have formed a team. We have had discussions with Nipdec. We have taken the recommendations of the quantity surveyor on board. We are planning to do another valuation of the property in 2013, and we have also started looking at what else needs to be done. We have set a schedule to complete the exercise by 2014, and we intend to meet that deadline.

Mrs. Baptiste-Mc Knight: How would this affect existing squatters?

Ms. Gopaul: It depends on how long they have been there. If they were there before, if they were thereafter, based on the period of time, I think it is 16 years or so before you gain the land. So it depends on that. We have to relook at the whole thing and see what it would be worthwhile to do with respect to this matter, and that is in progress now.

Mrs. Baptiste-Mc Knight: Is there some mechanism in-house to keep an eye on the properties you have to prevent the problem of squatting so that you nip it in the bud. Because it seems as if you are not aware of what the situation is with the squatters there, how long they have been there, so that they could tell you that they have been there 20 years and you would have no means of verifying or otherwise. What measures have you taken to correct this situation?

Ms. Gopaul: We have already started to strengthen that area in the NIB to have specific departments or group of people that deal with land development and the land related projects. And we have just put that in place.

Mrs. Baptiste-Mc Knight: Thank you.

Mr. Chairman: Any other questions on this side?

Mr. Mohammed: Good afternoon ladies and gentlemen. I just wanted to go back to your investment portfolio mix and in particular your overseas investments. Just for my own clarification. What percentage of your investments was in gold, silver and precious metals?

Ms. Gopaul: None.

Mr. Mohammed: Okay. And did you at any time consider for a minute the potential of such an investment?

Ms. Gopaul: The overseas investments we have four fund managers as was indicated before, J.P. Morgan, Smith Barney, et cetera, so they basically guide us on that and we take their advice.

Mr. Bharath: Chair, if I just add therein lies the problem. You rely on the overseas fund managers to seek your interest and they have the analysts, they have the expertise, you would expect that their fund portfolio would be geared towards maximizing the returns that you set for them, and this is why you need to have this monitoring function.

Mr. Chairman: Can you not hire an expert from abroad and employ him as an in-house expert at NIB?

Mr. Bharath: We are looking into that, the cost of it as well as the benefit and trying probably to link the returns on the investment to the compensation. Those are some of the things that we are going to be looking at in 2013.

Mr. Chairman: But, if you increase your yield by two per cent that would be \$40 million.

Mr. Bharath: Agreed.

Mr. Chairman: An expert could hardly cost you \$40 million.

Mr. Bharath: Totally agreed.

Mr. Chairman: All right.

Mr. Bharath: Which is why we are looking into it.

Mr. Chairman: I have a question. Our consultant tells me or tells us, that the number of contributors to the National Insurance Fund declined by 28,000 in 2009 while the beneficiaries increased by 5,000, and similarly in 2010 the number of contributors declined by 15,000, while the number of beneficiaries increased again by 10,000. So over a two year period that the decline of over 40,000 people paying NIB contribution, NIS contributions, and an additional 10,000 receiving or becoming entitled to receive. Now, this seems to be a dangerous trend to me. Have you all established that this is the trend? That the number of contributors is declining and that the number of beneficiaries is increasing?

Ms. Gopaul: No, it is not a trend. If you look at, well the economy and so on when businesses go out of business people are no longer employed. So what you are seeing here with the drop in the number of active contributors or the employed persons contributing is related to what was happening in the environment at the time. So, you had a few businesses going out of business, you lose employees, contributors.

Mr. Chairman: Are you telling me that since 2010 you have recovered these 40,000 contributors?

Ms. Gopaul: Well, some would have—it would have gone up where they had re-employment and some persons would have gone into self-employment. So when we move to cover that group we would also get contributions.

Mr. Chairman: No, but I am asking a serious question. From what I see, I see a trend where the number of contributors is declining and the number of beneficiaries is increasing. Can you tell me in 2011 and 2012 did that trend that I see continue or has it reversed?

Mr. Bharath: Chairman, you are quite right. I have the numbers here. In accordance with the actual report, once you hit 60 you are entitled to the benefits. They have broken down to 0—15, 16—59 which are the number of contributors compared to the number of beneficiaries. The ratio of persons 16—59 which are the contributors to 60 and over which are the beneficiaries for 2010 is 5.4. 2020 they are projected to be 3.8; 2030, 2.9; 2040 2.4; 2050, 1.8 and 2060, 1.7. So the actual fact is that, yes, because of the population trend.

Mr. Chairman: Is that because people are living longer? Is that the reason?

Mr. Bharath: No, it is [*Crosstalk*] well yes the longevity of it as well, but it is the declining [*Crosstalk*] correct.

Mr. Chairman: I did not get you. What is the reason for this?

Mr. Bharath: It says here that the chart presents the projected population in Trinidad and

Tobago from 2010 to 2060 separated into three age categories, children, persons who could contribute and persons of a pensionable age. The evolution of the relative size of each age group, notably the decrease of the population of children and the increase in the number of persons at pensionable age, illustrates the projected ageing of the population in Trinidad and Tobago.

Mr. Chairman: Sen. Deyalsingh is correct to some extent. People are living longer and we are having less babies in Trinidad and Tobago. Okay. So let us assume that this is real trend. Apart from the plan to bring self-employed persons into the net, what is your plan? If the number of contributors is declining and the number of beneficiaries is increasing, and this is a long-term trend, and you can see way into the future that this is going to continue and get worse, and from my limited information the fund, the liabilities would exceed the assets this year, 2013. Am I correct? The income would be—

Mr. Bharath: Income would be—

Mr. Chairman:—less than or equal to, and from next year—

Mr. Bharath: You are using investment income from then on in order to contribute to the fund.

Mr. Chairman: Right. So that you are going to drawn down on your savings and your investments and eventually you would exhaust the fund—

Mr. Bharath: Yes.

Mr. Chairman:—and it is exacerbated by the fact that more and more people are qualifying for NIS benefits, and less and less people are contributing. So apart from your self-employed plan; what is your plan?

Ms. Gopaul: I just have to make a few corrections before we answer the question. What you are seeing in 2012-2013 that is related to the implementation of the eight recommendations arising out of the eight actuarial review per say. After that you would see that it corrects itself. What you are talking about is going to happen in the long term, I am not disputing that. Let me make that clear, I just wanted to correct that. It is in the long term you see what you have been speaking about with the declining active contributors and the increasing number of beneficiaries for the same reasons that we spoke about.

But the immediate one with 2013-2012 that was related to—when we actually implement the increases, and that is because of the high increase we have in benefits because we are going to increase the benefits by approximately 50 percent over the next two years, right. So because of that you have that little period. Then it corrects itself, and then as we go down the road then it starts to decline again, and that is later on. I just wanted to correct that.

12.30 p.m.

Mr. Chairman: Okay, but I mean, the general impression I get and the Minister of Finance did say this last night: the plan is underfunded. You know, you “doh” have enough money, unless you do something to deal with your long-term liabilities, so what is your plan?

Mr. Bharath: There is a funding gap with the pension plan and I suspect globally this is something that has happened over the last two/three years as well, given the investment climate and the drop in investment yields, so that the rate of increase of your liabilities is faster than the rate of increase of your assets, so that funding gap or that liability is a challenge that

exist.

The obvious challenge is to increase your investment yields and increase your investment returns, but therein lies a problem with the risk that you inherently have with some of these investments, so you need to have the expertise to balance that off. In the long run the only way that you are going to meet the liabilities if they continue to—the funding gap increase is to increase contribution rates or in some countries they have increased the retirement age based on the expected life cycle of citizens.

Mr. Chairman: Others mean there would inevitably be an increase in benefits overtime, because this actuarial projection, I assume, is based on maintaining the level of benefits at your current projected levels, but 10 years from now are you still going to be paying NIS pension of \$3,000? I doubt it. So, I am really urging you that you have to have a proper plan, because even this actuarial review—I am not an actuary—is not realistic to me. I would think 10 years from now it might be \$4,000 and 10 years after that it might be \$5,000, is what the pension will be, and that will destroy the numbers in that actuarial review.

Mr. Mc Sween: Chairman, you are correct and representations were made—I am going back to staffing and compensation—to expand the skill sets that would allow the NIB to extract, if you will, better returns in the marketplace. So, one, investment income must increase for us to at least narrow the gap, and I just wish to use this to emphasize again that there is a need to get support, external support, to increase the staffing, increase the skill sets so that we would be ready to really take advantage of opportunities out there. That is not happening, we have been trying, it is not happening and we need that support.

Mr. Chairman: Well, you can count on the support of this committee. We would see what we can do with respect to communicating with the Ministry of Finance and the Economy.

Mr. Mc Sween: Thank you very much.

Mr. Chairman: Miss Cox.

Miss Cox: Thank you, Mr. Chairman. I believe that a question was asked concerning the National Insurance Appeals Tribunals while I was out of the room, but I am indeed concerned about the number of appeals to the National Insurance Appeals Tribunal which have not been addressed from 2003 to 2010. Actually, what I would like to know is who appoints this tribunal and who does this tribunal report to?

Ms. Gopaul: The Ministry of Finance and the Economy appoints the tribunal and they report to the Ministry of Finance and the Economy.

Miss Cox: “Eh hmm.”

Mr. Mc Sween: If I may, Miss Cox, really and truly it represents the watchdog for the NIB. In other words, if NIB does wrong you go to the tribunal for justice, if you will. So we really have zero influence, if you will, over that tribunal. They are supposed to ensure we perform and we are hoping to allay your concerns going forward.

Mr. Chairman: I think, Mr. Mc Sween, the Member is making a bigger point. There were 40-odd complaints in 2001; now there is 742, whatever it is. What is the reason for this tremendous increase in the number of complaints where people believe they are not getting what they are entitled to?

Ms. Gopaul: I cannot remember the exact year, but in one of the years recently, maybe 2010,

there were few sittings held, right, of the appeals tribunal, and that is why we ended up with a backlog.

Now, the other way we get the increasing appeals, well, when the benefits get generous people are now more interested in their contributions and claiming, and this is really a push from me, since I have a “T” on me, we always urge people to clean up your contribution records early, do not wait until you make a claim. Right! So sometimes we do have disputes where people come and question the number of contributions that we have on the system related to them. So we would have on our records you have this number of contributions, they would say that they worked these other places, but we do not have records of that, so—I am just making a plug since I am right here—please ask people, anyone you know, ask for a contribution statement and clean up your records before you need to make a claim. That would also lead to a decrease in the appeals that might be made.

Now, we have authorized officers that help to assist and investigate to clean up these records—right—so we work diligently to do that. I was just corrected, it is the President who appoints the board of the Appeals Tribunal, so I just want to correct that statement. After there was a lag in the sessions of the Appeals Tribunal, both NIB and the Appeals Tribunal met and that is why we are working very hard now, that is why you see you have like two sessions per month, and that is an attempt to clean up the backlog.

Miss Cox: Okay, I am hearing that the President appoints, but the tribunal reports to whom?

Ms. Gopaul: The Ministry of Finance and the Economy.

Miss Cox: Okay, I just wanted to be sure about that.

Mr. Mc Sween: Chairman, just to add to the ED’s point, we also have to effect some improvements internally to bring about greater satisfaction in an effort to reduce some of the complaints. So, there is some internal—we have some internal issues to address that would also assist in the reduction of complaints.

Mr. Roberts: Mr. Chairman, I want to commend Mr. Mc Sween on that answer because that is absolutely brilliant, because if you want to increase contributions—*[Interruption]*

Mr. Chairman: Mr. Roberts, please; Miss Cox still has the floor.

Mr. Roberts: No, but I am just telling him well done.

Mr. Chairman: Keep your impressions to your—hold your fire. Hold your fire. *[Laughter]*

Miss Cox: Thank you, Mr. Chairman. Ms. Gopaul, you mentioned about more or less telling persons to get their house in order before it is time to retire, is it that you mean?

Ms. Gopaul: To assist us in getting their house in order.

Miss Cox: Well okay, that brings me to the point about the communication in NIB. I think that coming from a communications background you all need to beef-up your communication so that there should be some programme before in the workplace so that people would be aware that they need to put all these things in order so when it is time to file they will have most of their documents and everything in order. I think that there should be some aggressive campaign where that is concerned.

Mr. Chairman, while I have the floor I have one more question. Why is there so much senior management acting in NIB? Is there a reason for that? Is this a reflection of what is happening down the line in NIB?

Ms. Gopaul: Okay, this problems starts—I have to go back a bit. Now, when Mr. Hart, the previous chairman, resigned, at that time we did have a few acting—*[Interruption]*

Mr. Chairman: Ms. Gopaul—

Ms. Gopaul: Sorry.

Mr. Chairman:—I do not think you are qualified to answer that question because you are acting. *[Laughter]* Mr. Chairman, could you answer the question, please.

Mr. Bharath: As we speak I have a report from an independent HR consultant which is a year old, and the exercise has been done to fill four or to try to fill four vacancies, including the acting executive director. The challenge has been the compensation package. The compensation package in NIB is not attractive enough to get the required skill sets and the talented individuals out from the private sector. They command the highest positions in the financial sector, so it is a very difficult aspect to pry them away from the private sector into the public sector for the compensation package that exists there. That drills down to the entire organization.

Miss Cox: So, if there are persons who are acting in the position right now, are you saying they cannot fill the position? Are they qualified and have the experience to fill that position? Is there a need to go out if there are persons who can fill the position?

Mr. Mc Sween: Miss Cox, the answer is, we are confident that we have in-house—excellent staff in-house, but what has happened is the board approved a restructuring of the organization which calls for new positions; three deputy executive directors, for instance, with redefined scopes, and consistent with a strategic plan that was approved.

What we did is encourage staff internally and also external applicants to apply. We are at that point in time—that place and space, sorry, where we are yet to have that fit, that suitability identified. So, it is not that internal staff are not capable, it is just that we are yet to find the exact fit for some of the positions. Now, we approved three DEDs' positions; we have not drilled down. As we speak we have executive managers acting. The thinking is that, as the new structure goes in place, implemented, the executive manager layer may not exist. It may not exist.

So, all those things need to be harmonized before we actually put persons in positions, so I am just reiterating, we have excellent staff; you may very well find Ms. Gopaul may be the ED, you never know. It is just that we need to transition the organization, position it for, to accrue the type of benefits we are looking for going down the road.

Miss Cox: So how long do you envisage this will take?

Mr. Mc Sween: Well, as the chairman said earlier, this was approved a year ago; we contracted a leading head hunter; we interviewed, believe it or not, internally and externally, to try to make it happen; it just has not because of compensation which has to be approved by the Ministry of Finance and the Economy.

Mr. Chairman: I am a bit confused at a point made by the chairman. You said that it is difficult to attract people because of your salary structure, but who approves your salary structure?

Mr. Bharath: My understanding is that in order to get any changes to the compensation package it has to be addressed to the Ministry of Finance and the Economy.

Mr. Chairman: So, you are not capable of doing that yourself?

Mr. Bharath: No.

Mr. Chairman: Do you have—is this a fact or is it an opinion that you have?

Ms. Gopaul: The executive director's salary has to be approved by the Minister of Finance and the Economy.

Mr. Chairman: Is that in the law?

Ms. Gopaul: Yes.

Mr. Chairman: Okay, and not just the director, everybody else or only the director?

Ms. Gopaul: Only the executive director.

Mr. Chairman: And I guess everybody would have to be less than that?

Miss Cox: "Hmm". I am still trying to figure out, I am not sure if my question was satisfactorily answered. I am still trying to figure out what is the keep back, so long? Because I have been checking the annual reports and so on, and I have been seeing for years people acting, so it is either they could do the job or they cannot do it, something has to be done. I think that some decision should be made, either to appoint or move on?

Mr. Bharath: You are quite right, Miss Cox. The acting executive director is doing a sterling job. The issue is the skill sets require that the executive director not only deals with the operations but also deals with the investment side, the management side and so on, but we are in the process—*[Interruption]*

Miss Cox: Why is she acting then?

Mr. Bharath: The reality of the situation is that to get somebody in the position which they have already advertised for, the compensation package is not enough for them to come across.

Mr. Mc Sween: If I may, Chairman, I am also saying, Ms. Gopaul just started acting on November 18—

Mrs. Baptiste-McKnight: If she does not have the skill what is she doing there?

Mr. Mc Sween:—so this is just two months—

Mr. Chairman: Mr. Mc Sween, just hold your fire. Senator, you had a question?

Mrs. Baptiste-McKnight: I have tried not to get involved in this, because I do have a very simple problem: someone who has been with your organization for a considerable number of years obviously has acquired an in-depth understanding of this organization, so that at this stage absolutely new skill sets, which obviously, are not skill sets normally found in a properly organized and running enterprise are needed, and the staff that you have had in-house for two decades cannot fit these skill sets; this does not make sense to me.

How you are going to get people from outside to provide skill sets for an organization that has been operating over the years? People who you have to pay money to learn your organization, and you cannot confirm the people who, by your own admission, have been doing a brilliant job and have been content with the salary they have been getting, you cannot confirm them, pending getting salaries that would suit the new task that you want them to perform?

12.45 p.m.

You are telling the public that you are keeping incompetent people who cannot do the job that you want them to do, because you cannot find people who would allow you to pay others more money. This is what it works out at and it really makes no sense, and it does not speak well for your management style.

Miss Ramdial: Thank you, Mr. Chair. Mr. Chair, the Acting Executive Director had a history to this. Do you want to continue to clarify? Because apparently this did not start just recently, this has been ongoing for quite a number of years.

Ms. Gopaul: What had happened, let me see, that would be, let me see now, 2010, about there, we had a high turnover in the National Insurance Board so we lost a certain group of skills, for want of a better word. So people were placed to act.

Soon after that, the Board stopped operating when the Chairman resigned, that is Mr. Hart. Then we got a new board—I am just telling you why the acting is this long—in December 2010. They started the exercise of restructuring and looking at what skills will be needed to take the organization forward in terms on the investment side to strengthen that arm of the organization out of their exercise—that is what Mr. Bharath spoke about—they started doing some interviews and so on, to recruit persons. I was actually appointed into one of the posts, the Deputy Executive Director Operations post, out of that exercise. At the time when they were getting close to finishing their conclusions, and also because of the compensation issue that was raised before, the term of the Board came to an end—because the term is only two years and because of the backlog that we had from March 2010 to November 2010, there were a number of urgent issues that the previous Board needed to work on, so they had to prioritize.

They had to deal with the backlog, so they started working on this particular issue with the structure after that—well, after some of the more urgent matters that they had to deal with. So what happened is that the term ran out before they could finish the exercise that they were doing and that is what the new Chairman, Mr. Bharath, has now inherited and he has taken it forward and I must tell you that from the first few weeks he came on board, he asked about it and he has been pushing it since then.

Mr. Chairman: I think I have one final point and then I think we can wrap up unless other Members have anything pressing. Ms. Cox has made this point before, and I think we have to write you on this. A lot of people do not understand what they are entitled to, in terms of benefits and how to access these benefits. The National Insurance Act with all the amendments that have been made over the years has become very complicated in terms of cut off dates, for example, for survivor's benefit for example.

It is really time for the NIB to set up a unit where someone who cannot understand why they are not entitled to a survivor's benefits or they want to access survivor's benefit can visit the NIB or call someone and get an answer, because at present I do not think you have a unit that deals with complexity of your governing legislation.

Ms. Gopaul: In 2011, we did introduce what we call a Contact Centre where people can call in, and they will tell you basically how to go about making a claim, what are the qualifying criteria and so on, and the limitations. We have that right now.

Mr. Chairman: It is not the point I am making. There are so many changes. We have made a whole bunch of changes to your Act last night, for example. Half of them very difficult to

follow because they have all these dates and if you miss a date by a day you are not eligible for a benefit. That is what I am driving at, not the basic understanding of what the retirement grant is or the pension or the maternity benefit. It is, how does somebody fall within the framework created by all these amendments to the legislation, because I know people who have met all the qualifying requirements for a survivor's benefit as far as they are concerned, they have reached the age, their husband or wife was making contributions, but they are being told they cannot get it and they cannot understand. I myself, when I look at a particular case I do not understand.

So, I think you need to deal with this, because a lot of people are not accessing benefits and they cannot understand why, and it has to do with the way the legislation—a lot of things have happened, things have fallen through the cracks, changes have been made, people have fallen outside the system because of a drafting change to the legislation, and you need to have that competence in your organization at this time otherwise you know, myself as an elected Member I get a lot of complaints—I am sure Ms. Cox gets it as well—in terms of people going to NIB and they cannot get their benefits. They keep going back and nobody will tell them why and they get a runaround and so on. I think it has a lot to do with the legislation.

So, you need to hire someone who is familiar with your legislation, who can interpret it and strip out all the complex legislative drafting and break it down into simple English, so people will understand, yes, you are entitled to this benefit, no you are not, and this is the reason why you are not or this is the reason why you are. I think it is something that you need to do. Could I get an undertaking from the NIB that you will look at this please, because we are going to write you on this?

Ms. Gopaul: Yes, you have that undertaking.

Mr. Chairman: Okay, I think we could wrap up now, thank you very much. Oh sorry, Mr. Deyalsingh had a question on the 2011 account.

Mr. Deyalsingh: Yes, could you tell me what is the last year audited accounts are ready for the NIB?

Ms. Gopaul: The audited accounts for 2012 have just been completed.

Mr. Deyalsingh: 2012?

Ms. Gopaul: Yes.

Mr. Deyalsingh: So 2011 has been completed.

Ms. Gopaul: Yes.

Mr. Chairman: Did we receive 2011?

Ms. Gopaul: Not as yet.

Mr. Chairman: Well we are in 2013, what is the problem?

Ms. Gopaul: It is related to what I spoke about before with the period when we had no board and then we had to 2010, 2011 and 2012. The management letters were recently received and we are finalizing them right now.

Mr. Chairman: All right, can I get an answer then when will this committee get the 2011 accounts and the 2012 accounts?

Ms. Gopaul: You should get them by next month. When I say next month, it is February.

Mr. Chairman: Both of them, 2011 and 2012?

Mr. Bharath: Mr. Chairman, the 2012 audited statements are here. They have been signed off since September 2012.

Ms. Gopaul: It is just the management letters.

Mr. Bharath: It is just the management letters.

Mr. Chairman: You do not have them?

Mr. Bharath: I cannot see any reason why you cannot get it.

Mr. Chairman: So you are saying within the next month or two, we should get both 2011 and 2012.

Ms. Gopaul: Yes you should.

Mr. Chairman: Well that—we will wait in great expectation for that. Thank you very much. Okay.

12.53 p.m.: *Meeting adjourned.*