



POST-IMPLEMENTATION BENEFITS AUDIT

ON

PENSION CALCULATOR

2014 – 2017



Office of the Auditor General
Brades
Montserrat
January 2019

PENSION CALCULATOR

This is a Report of an Information Technology Audit conducted by the Office of the Auditor General pursuant to Section 103 of the Montserrat Constitution Order 2010

Florence A Lee
Auditor General
Office of the Auditor General
January 2019

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PREAMBLE

Vision Statement

The Office of the Auditor General (OAG) plays a crucial role in ensuring that public monies are spent wisely. Our vision is therefore “to be a proactive Supreme Audit Institution that helps the nation make good use of its resources.”

Mission Statement

“The OAG is the national authority on public sector auditing issues and is focused on assessing performance and promoting accountability, transparency and improved stewardship in managing public resources by conducting independent and objective reviews of the accounts and operations of central government and statutory agencies; providing advice; and submitting timely Reports to Accounting Officers and the Legislative Assembly.”

The Goal

Our goal is “to promote staff development, enhance productivity, and maintain a high standard of auditing and accounting in the public sector, thereby contributing to the general efficiency and effectiveness of public finance management.”

AUDITOR GENERAL'S OVERVIEW

With the advancement of technology, the Government of Montserrat's Ministries and Departments have become increasingly dependent on utilizing information systems to perform key functions. The manual system of calculating pensions benefit proved inadequate and time consuming. In an effort to provide efficient ways to calculate pensions, the manual computation was replaced with a bespoke pension calculator – Microsoft excel-based application which was provided by an Actuary.

Our review revealed that the benefits of the implementation of the pension calculator were achieved and the calculator is a very secure and unmodifiable application. The calculator computations are very accurate, whether or not precise information is keyed into it. However, we found that poor record keeping by key stakeholders where pensionable officers worked is an issue. as inaccurate or omitted information on personnel files is likely to result in pension benefits being incorrectly calculated.

The design and development of the pension calculator was not confirmed but was implemented and is maintained by an Actuary. Only this individual can make changes to the calculator and although this may be a good control mechanism there are risks associated with total control by a provider in the absence of an agreement. To date, the Actuary was not forthcoming with providing us with information in relation to this review. It is our recommendation that the Office of the Deputy Governor consider purchasing the pension calculator application and maintaining it in-house.

As with this and other similar reviews, the Government of Montserrat must desist from entering into software arrangements without having the necessary documented agreements in place. We have highlighted other findings and recommendations and the acceptance and implementation of these will improve the system.

A handwritten signature in blue ink, appearing to read 'Florence A. Lee', is placed on a light-colored rectangular background.

Florence A. Lee, CPA, BSc, MSc
Auditor General
January 29, 2019

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ABBREVIATIONS

CAP	Chapter
CARTAC	Caribbean Regional Technical Assistance Centre
CSP	Civil Service Pension
DITES	Department of Information Technology & e-Services
GoM	Government of Montserrat
GUI	Graphical User Interface
HMG	Her Majesty's Government
HRMU	Human Resource Management Unit
ISAE	International Standard on Assurance Engagements
ISSAI	International Standards of Supreme Audit Institutions
MoFEM	Ministry of Finance and Economic Management
ODG	Office of the Deputy Governor
PFMAA	Public Finance Management and Accountability Act
SS	Social Security

EXECUTIVE SUMMARY

As part of the annual information technology audit work plan, it was decided that an assessment of pension's calculator post implementation will be undertaken. Over the years, the Government of Montserrat's pension benefits were calculated manually by various government departments. After the Civil Service Pension Reform, the initial Excel spreadsheet formulas that were used to calculate pensions were not in compliance, with the *CAP 6.07 Pensions Act*. Therefore, the bespoke Pension Calculator was introduced in 2014 to streamline the Pension Benefits computation process.

Main Findings

We found that the pension calculator is a very secure and unmodifiable program. The Microsoft excel-based calculator uses formulas/equations/functions to compute Pensions and Benefits. The users of the calculator cannot make any adjustments; although this is a good control mechanism, there are associated risks such as (1) delays in processing pension benefits when difficulties with the functionality of the software are encountered and (2) risk of continued availability of support or supplier failure that can lead to loss of software use which can negatively impact the calculation.

The computations are very accurate, whether or not precise information is keyed into the application. However, there is no procedure for checking human error during data entry; incorrect information can be keyed in by the user without being flagged.

We noted that poor recordkeeping by some departments is an issue when calculating pension benefits. Additionally, there are still certain sections of the pension benefits that have to be manually computed by the Office of the Deputy Governor (ODG) staff responsible for processing the pension benefits. This method leaves much room for human error if not reviewed.

Key Recommendations

We recommend improved record keeping of employees by all ministries and departments and reviewing of data entry. Regarding the risk of supplier failure, the ODG should consider the feasibility of purchasing the Pension Calculator application and maintaining it in-house. If this option is not accepted by the Actuary, then ODG should request that the calculator application be lodged in an Escrow Agreement where it is stored with, and maintained by, the Department of Information Technology & e-Services.

Audit Conclusion

The Office of the Auditor General determined that the post-implementation benefits of the Pension Calculator were achieved. The calculator tool is very accurate; streamlines the previous computation process; and is in compliance with the revised *Montserrat CAP 6.07 Pensions Act and Subsidiary Legislation* - January 2013.

The few drawbacks identified involved mostly human error. A main contributory factor was that the pensionable officers' work histories being collated from various sources, to populate the C46 form.

This shortcoming can be combatted with improved record keeping of GoM employee information, by the responsible departments.

CHAPTER 1 OVERVIEW

1. Persons, who have been appointed as permanent employees with the Government of Montserrat (GoM) are entitled to a pension. Pension payment can be either an equal fixed sum of money paid regularly to the retiree or pensionable officer, commencing at the time of their retirement from the Public Service, or as a lump sum in the case of commuted gratuities.
2. A Pension Calculator was introduced by the ODG. It is a tool that calculates a pensioner's projected retirement income to streamline the previous manual pension calculation process, which was long and tedious and in some cases, resulted in inaccurate pension benefits being paid out to pensioners.

MANAGEMENT RESPONSIBILITY

3. The ODG is responsible for ensuring that a legal framework, policies, and effective controls exist to guide pension administration and management. It is also responsible for determining appropriate pension types, performing pension calculations, facilitating pension payments, and ensuring that they conform to the legal mandate.

AUDITOR'S RESPONSIBILITY

4. Our responsibility is to independently express a conclusion on the Post-Implementation Benefits of the Pensions Calculator application in regards to pension administration and management, based on our audit. Our work was conducted in accordance with ISSAI 100, 5300, and ISAE 3000. These principles require that we comply with ethical requirements and plan and perform the audit in order so as to obtain reasonable assurance whether the Pensions Calculator ensures that pension administration and management are being executed in compliance in all material respects, with the terms outlined in the Montserrat CAP 6.07 Pensions Act and Subsidiary Legislation Revised Edition, January 2013.

AUDIT MANDATE

5. The Office of the Auditor General is mandated through the Montserrat Constitution Order 2010 to perform the audit. This mandate is supported by ISSAI 1, 200, 300, 400, and strengthened by Revised Laws of Montserrat CAP 17.07 Public Finance Management and Accountability Act (PFMAA).

AUDIT OBJECTIVES

6. The objective(s) of this Post-Implementation Benefits study is to determine whether the benefit(s) of the Pensions Calculator being implemented have been achieved as follows:
 - Determine if the Pensions Calculator program streamlined the previous pension benefits computation process.
 - Assess if the Pension benefits computations are accurate.

- Assess if the computations executed and output by the Pensions Calculator, is in accordance with the revised Civil Service Pension Reform and *CAP 6.07 Pensions Act and Subsidiary Legislation* (Jan 2013).

AUDIT SCOPE AND METHODOLOGY

7. The study covered the period January 2014 to December 2017 and focused on the application of the relevant pension laws, regulations, framework and procedures, that guide the computation accuracy of Pension Calculator.
8. A combination of techniques were utilised to gather information and assess whether These included, but were not limited to, interviewing of and users of the Pensions Calculator at the ODG, the Actuary and other relevant personnel, inspection of documents, and issuance of questionnaires, in order to gather in-depth information about the Pension Calculator software.
9. The findings of this report were discussed with the Deputy Governor and her view(s) were taken into consideration when finalising the report.

CHAPTER 2 INTRODUCTION

10. A pensionable officer, who has been appointed a permanent employee with the Government of Montserrat (GoM) for over a stipulated number of years, will qualify for and is entitled to, a pension. He or she is eligible for pension benefits upon normal retirement, early retirement, retirement on medical grounds, termination of employment, early exit and death benefits. Pension payments can be either an equal fixed sum of money paid regularly to the retiree or pensionable officer, commencing at the time of their retirement from the Public Service, or as a lump sum in the case of commuted gratuities. A pension calculator is a tool that calculates a pensioner's projected retirement income.

PENSION BENEFITS PREVIOUSLY OFFERED

11. Prior to July 2010, pensions were based on personal emoluments in the year preceding retirement. Public Servants, who reached the mandatory age of 55 and had served for $33\frac{1}{3}$ years, were entitled to pension benefits that had accrued for a maximum of $33\frac{1}{3}$ years at 2% per year which led to a maximum accrual of $66\frac{2}{3}$.

Benefit/Lump Sum Option at Age of Retirement

12. Workers had the option to exchange a 25 percent reduction in their retirement benefit for a lump sum (gratuity) payment. The exchange could have taken place at retirement age or at any age after the worker had 20 years of service. If the worker was younger than 55 the lump sum (gratuity) payment was immediate and the reduced pension was deferred until age 55.

Normal and Early Retirement Age

13. At the mandatory retirement age of 55, a worker was eligible for a retirement benefit at that age with 10 or more years of service. Workers with 20 years of service but having not yet reached age 55 could have opted for a deferred retirement benefit and an immediate lump sum.

Early Exit Benefit and Return to Service

14. Workers under the age of 55 without 20 years of service did not qualify for a benefit.

Cost of Living Adjustment

15. The previous Pensions Act did not call for post-retirement pension adjustments though such adjustments had been made on an ad hoc basis.

Survivor Benefit Option

16. There were no survivor benefits; instead the pension ceased immediately upon death of the worker-beneficiary.

BACKGROUND

MONTSERRAT'S POST VOLCANIC ECONOMIC INFRASTRUCTURE

17. Prior to the destruction of Montserrat's economic infrastructure and the dislocation of businesses and households from the more developed part of the island by volcanic activity, Montserrat operated on a balanced recurrent budget. Unfortunately, since then the island has survived on budgetary support from Her Majesty's Government (HMG).
18. In the post-volcanic activity phase, which was the development phase (2001 to present), economic activities leaned towards a more permanent and planned development approach in the northern part of the island. Considerable public expenditure was allocated to sectors such as housing, education, health, infrastructure and transportation; however these investments were somewhat inadequate to promote the desired level of growth or promote sustainability. In addition, considerable resources were diverted to address security concerns and financial regulation in the aftermath of the World Trade Centre tragedy.
19. The national budget had to absorb the cost of sophisticated technologies and obtain the requisite expertise and personnel to implement these measures. This added to the cost of number of unavoidable regulatory initiatives and later the substantial increases in commodity prices would push the budget levels to where it was in 2009. Unfortunately in this development phase the private sector did not expand for a variety of reasons and the Government found itself in the forefront of economic generation and recovery activities. Furthermore, HMG made it clear to the GoM that it had to commence taking measures towards the maintenance of its public expenditure at more sustainable levels.
20. The GoM's expenditure, at the time, was classified as follows:
- fixed - being those that could not be easily changed without directly affecting standards of service,
 - semi-variable - being those that could be reduced with limited impact to services,
 - variable - being the discretionary services that could be controlled to a degree.¹

Cost Classification	2009	2009
	ECS m	Proportion
Fixed Cost	69.54	73%
Semi Variable Cost	12.16	12.8%
Variable Cost	13.53	14.2%
Total	95.22	

Table 1 – Classification of GoM's 2009 Expenditure

21. Over 62% of all GoM's expenditure was employee related and relatively fixed unless there was a reduction in public service standards and only essential vacant positions

¹ *Government of Montserrat Fiscal Sustainability Road Map (Paper)*

had been budgeted for during 2009. This meant that as they moved closer toward full establishment, employee related expenditure would have increased even further.

22. Approximately \$4 million was being spent on the gratuities of contract officers and ex gratia payments; therefore policies aimed at the overall reduction of the number of contract officers, rate of gratuities, and movement of persons to the civil service scale without compromising the quality of persons being recruited, would be one of the resolutions for releasing pressure on the budget.

REFORM OF THE MONTSERRAT CIVIL SERVICE PENSION (CPS) SCHEME

23. Civil servants were being covered under two pension schemes: Social Security (SS) and the Civil Service Pension (CSP) scheme. The two schemes were operating in parallel, which resulted in combined pension benefits that, for full career workers, were excessive and placed a large, unsustainable burden, on government finances. SS benefits had replaced up to 60 percent of final salary for a 40-year worker and CSP could have added another 67 percent for a total replacement rate of 127 percent.
24. The Montserrat Civil Service Pension Reform was a measure that was recommended in 2008 by the Caribbean Regional Technical Assistance Centre (CARTAC). The GoM Pension Reform, once agreed upon, was projected to release significant government funds for alternate uses (Pension is EC\$9.0m). It was anticipated that an approximate 41.6% reduction in expenditure would ensue, but would not be fully recognised until over a period of 10 years.

Potential Expenditure Saving	2009	2010	2011	2012
	ECS	ECS	ECS	ECS
Pension & gratuity related costs	0	499,200	998,400	1,497,600
Accommodation	0	0	500,000	1,000,000
Reduction in Overseas Travel	0	25,000	25,000	25,000
Total Potential Savings	0	524,200	1,523,400	2,522,600

Table II – CARTAC’s Proposed Potential Pension & Gratuity Expenditure Savings

25. CARTAC in their report advised the GoM to enact, as soon as possible, parametric reforms that synchronized CSP with Social Security (SS). This synchronization would set a maximum combined CSP-SS replacement rate of less than 100 percent. Other changes such as an increased retirement age were also recommended. These changes were aimed at substantially reducing long-term GoM expenditures on pension benefits and result in near-term (beyond the first 8 to 10 years) savings to the extent that they would be applied to current workers.^{2,3}

² Government of Montserrat Fiscal Sustainability Road Map (Paper)

³ The Civil Service Pension Scheme in Montserrat: Plan of Action for Reform, CARTAC, December 2009

Projected Savings Under the Proposed Rules for CSP (millions of dollars)					
Plan Rules	Years				
	2010-19	2020-29	2030-39	2040-49	2050-59
Current	\$93.2	\$147.9	\$191.6	\$263.1	\$334.2
Proposed	\$91.9	\$115.9	\$132.7	\$141.4	\$169.1
Savings	-\$1.4	-\$32.0	-\$58.9	-\$121.7	-\$165.1

Table III – CARTAC’s Projected Savings under the Proposed Rules for CSP

26. The GoM agreed with the report’s recommendations and requested that CARTAC sponsored an actuarial evaluation of recommendations, followed by a technical mission to Montserrat. With CARTAC’s assistance, the GoM took action to improve the sustainability of the Social Security Fund; the then Legislative Council, adopted a Pension Amendment which would gradually increase the retirement age of civil servants from 55 to 65, adjust the pension accrual rate from two (2) to one (1) percent, and cap the combination of Social Security payments and Civil Service Pension at 85 percent of salary.

PROPOSED CHANGES TO CSP SCHEME

27. Only current and future workers would have potentially been subjected to the changed pension arrangements; the current pensioners at the time of the reform would not be affected. The changes were to be phased in so that the closer a worker was to retirement age, the lesser the impact from the reform would be to the individuals. The table below, on page 19, summarised the proposed changes to the CSP; changes were to be phased in by the year of birth. The proposed changes were to be as follows:

BENEFITS MODIFICATIONS

Reduced Maximum CSP-SS Replacement Rate

28. Under CARTAC’s proposal the CSP benefits were dependent on the value of the SS benefits when a retiree was receiving benefits from both programs: the CSP benefits could not exceed the difference between 85 percent of average pensionable emoluments and the SS benefit.^{4,5,6}

29. The constraint on CSP benefits applied only when a retiree received benefits from CSP and SS simultaneously. A worker may have chosen to claim benefits from the two programs at different ages, thereby deferring application of the benefit constraint. From the date when benefits were received from both CSP and SS, the CSP benefit would be as follows:

⁴ Government of Montserrat Fiscal Sustainability Road Map (Paper)

⁵ International Monetary Fund Staff Country Papers, IMF Country Report No. 12/9, United Kingdom – Montserrat – British Overseas Territory, 2011 Article IV Consultation Discussions, November 15, 2011

⁶ The Civil Service Pension Scheme in Montserrat: Plan of Action for Reform, CARTAC, December 2009

$$\text{CSP Benefit} = \min[\text{CSP benefit}, (85\% \text{ of average pensionable emoluments}) - \text{SS benefit}]$$

30. Average pensionable emoluments = $\frac{1}{3} \times$ (sum of highest three regular annual personal emoluments).
31. The 85 percent cap was to be effective immediately for all the current and future workers. The Social Security Board would have to provide benefit amounts to GoM as soon as any claims were made for SS benefits.

Reduced Annual Benefit Accrual Rates

32. CARTAC's plan set the annual accrual at 1 percent per year for all future work years for all workers. Therefore, past work years, (that is prior to July 2010) accrued at 2 percent per year up to 66 $\frac{2}{3}$ %. Individuals who had reached that ceiling would earn additional accruals at 1 percent per year above 66 $\frac{2}{3}$ % until they were eligible for Social Security at age 60.

Features of Current and Proposed Civil Service Pension Schemes		
Plan Features	Current Scheme	Proposed Scheme
<u>Benefit Modifications</u>		
Potential Maximum CSP-SS Replacement Rate	127%	85%
Benefit Accruals		
Years prior to July 2010	2%	-
Years after June 2010	-	1%
Maximum accrual	66.7%	85% - %[(CS+SS benefits)/AS]
Salary for Computing Benefits	final salary	average of highest three years of salary (AS)
<u>Age of Retirement Changes</u>		
Retirement Age^{1,2}		
Nature of Retirement	mandatory	voluntary
Normal Retirement Age	55	65
Years of service requirement	20	10
Benefit	lifetime pension <i>or</i> convert 25% to lump sum with 75% lifetime	lifetime pension <i>or</i> convert 25% to lump sum with 75% lifetime
Early Retirement Options		
35 years of service Benefit	NA	any age full, unreduced benefit
10 to 34 years of service Benefit	any age with 20 years immediate 25% lump sum with 75% beginning at 55	60 to 64 same as for normal retirement but reduced 5%/year each year age is less than 65
<u>New Benefit Provisions</u>		
Early Exit Benefit	NA	lump sum of 4% per year of service <i>or</i> accrued benefit starting after age 59 with benefit reduced 5%/year under age 65
Years of service requirement	NA	10 yrs
Cost of Living Adjustment	ad hoc	annual adjustments of price inflation up to a max of 4.5%
Survivor Benefit Option	NA	joint & survivor
¹ The retirement age provisions will be phased in by year of birth over birth years 1961 to 1975 as shown in Table 4. ² Under current law, the lump-sum conversion factor is 12.5 regardless of age. The proposed scheme will use conversion factors based on age at retirement and prevailing interest rates.		

Table IV – CARTAC'S Current and Proposed Changes to the Civil Service Pension Scheme

Increased Period for Averaging Earnings for Benefit Computation from 1 to 3 Years

33. CARTAC's proposal based benefits on the average of the highest three (3), highest years, of personal emoluments.

Benefit/Lump Sum Option at Age of Retirement

34. CARTAC's proposal retained the 25 percent lump sum option at retirement age (using an appropriate conversion factor based on a pensioner's age at retirement), eliminating the option to receive an immediate lump sum prior to retirement age.

AGE OF RETIREMENT MODIFICATIONS

Normal and Early Retirement Age

35. CARTAC's plan was to increase the normal retirement age to 65 for new hires and current workers under age 35 whilst phasing-in higher retirement ages for the then current workers over the age of 35. CARTAC's proposed age and years of service requirements for new hires and the then current workers under the age of 35, including the proposed phase-in of these requirements by year of birth is shown, are summarised below in *Table V*, below.

36. Workers would be eligible to receive an unreduced retirement benefit at age 65 with ten years of service and at any age with 35 years of service. For workers with between 10 and 34 years of service, the earliest age of retirement, or early retirement age would be 60 with a benefit reduced 5% per year for each year that a worker was under the age of 65. Age of retirement age would not be mandatory. Workers could work past age 65 and may continue to accrue retirement benefits subject to the 85 percent cap. Workers who exited the civil service prior to meeting the age and service requirements for an immediate retirement benefit would be eligible for a deferred benefit at the time that they satisfied the requirements in the above table.

Age and Years of Service Requirements for Retirement for New Hires and Workers Under 35 in 2010			
Type of Retirement	Age	Years of Service	Benefit
Normal	65+	10	Full
Early	Any	35	Full
Early	60-64	10 to 34	Reduced

Table V – CARTAC'S Proposed Age and Years of Service Requirements

37. The deferred benefit would be computed in the same way as for immediate retirement. Workers could also opt for the early exit benefit, instead. The age and years of service requirements for benefit eligibility by birth year are shown in *Table VI*, on page 22.

NEW BENEFIT PROVISIONS

Early Exit Benefit and Return to Service

38. CARTAC’s proposal would offer workers with ten or more years of service the option of taking a deferred pension that started at the earliest retirement age (and subject to the age and service year requirements) or an immediate lump sum payment that equaled to 4 percent of salary times the number of years of service.

Age and Years of Service Requirements by Year of Birth				
Birth Year	Age in 2010	Normal	Early Retirement*	
		Retirement Age	Age	Years of Service
Before 1960	50+	55	55	or 20
1961	49	60	55	or 25
1962	48	60	55	or 25
1963	47	60	55	or 25
1964	46	61	56	or 27
1965	45	61	56	or 27
1966	44	61	56	or 27
1967	43	62	57	or 29
1968	42	62	57	or 29
1969	41	62	57	or 29
1970	40	63	58	or 31
1971	39	63	58	or 31
1972	38	63	58	or 31
1973	37	64	59	or 33
1974	36	64	59	or 33
1975	35	64	59	or 33
After 1975	< 35	65	60	or 35

*If retirement is taken prior to completing the years of service requirement then benefits will be reduced 5% for each year below the normal retirement age.

Table VI – CARTAC’S Proposed Age and Years of Service Requirements by Year of Birth

39. Workers who chose the lump sum payment and later returned to the civil service would be required to return the lump sum, with interest, in order for the prior years of service to count toward a retirement benefit. Credit toward pensions would then be given for the earlier years, provided that the worker returned to the civil service for a period of five years. Otherwise, credit for a retirement benefit would begin with the return to service.

Cost of Living Adjustment

40. CARTAC’s proposal recommended regular annual adjustments to post-retirement benefits. The adjustments were to be based on a moving average of price inflation

over the preceding three years. In addition, the adjustment could not exceed 4.5 percent in any year.

Survivor Benefit Option

41. CARTAC's proposal allowed workers the choice of a full life annuity (that is, a regular pension that lasts for the life of the worker) or a reduced annuity with a survivor benefit. The choice would be made at the time of retirement. If the worker were to choose the survivor option then a pension would be payable to a surviving spouse until his or her death. The values of the reduced annuity and survivor annuity would depend on the age of the spouse at the time of retirement and prevailing interest rates. The amounts would be determined based on standard life tables and would be presented and explained fully to workers at the time of retirement.⁷

⁷ *The Civil Service Pension Scheme in Montserrat: Plan of Action for Reform, CARTAC, December 2009*

CHAPTER 3 MONTSERRAT CAP 6.07 PENSIONS ACT (JAN 2013)

CALCULATING PENSIONS

42. Pension benefits are worked out using the stipulations and calculations outlined in the *Pensions Regulations - Section 22, Parts 4 – 7*, in the revised *Montserrat CAP 6.07 Pensions Act*, as shown below:-

Annual pension on normal or early retirement

43. (1) As per regulation 12, the annual pension payable on normal retirement is the sum of the following:
- (a) 1/600 of the pensionable officer's average pensionable emolument for each month of service completed before 1 June 2011; and
 - (b) 1/1200 of the pensionable officer's average pensionable emolument for each month of pensionable service completed from 1 June 2011.
44. (2) Subject to sub-regulation (4) and regulation 12, the annual pension payable on early is the amount calculated in sub-regulation (1) reduced by 5% for each year that the age early retirement is less than his normal retirement age.
45. (3) The percentage at which the annual pension must be reduced in subregulation (2) must be prorated for any fraction of a year.
46. (4) The amount calculated in subregulation (2) is not to be reduced if the years of service equals or exceeds the minimum required for early retirement.

Maximum annual pension

47. (1) The annual pension must not exceed the following:

$$85\% \times \text{A.P.E.}] - \left(\text{social security benefit} \times \frac{\text{weeks of social security contribution from public service}}{\text{total weeks of social security contribution}} \right)$$

48. (2) The calculation of the maximum pension under subregulation (1) must be done the time of the award of pension and, if social security benefit is awarded at a later date, the calculation must be done again at that later date.

Annual pension on retirement on medical grounds

49. (1) Subject to subregulation (2), the average pensionable emoluments on retirement on grounds are the same as the average pensionable emoluments for normal or early under regulation 11, subject to regulation 12.

50. (2) A pensionable officer who has been in service for more than ten but less than twenty and who retires from the service on medical grounds may, on retirement, be granted as if his pensionable service had been twenty years and the extra years completed after 31 May 2011.

Annual pension on abolition of office

51. (1) If a pensionable officer’s employment is terminated in the public interest, in consequence of the abolition of his office he may be granted:
- (a) if he has been in the public service for less than ten years, instead of a gratuity under regulation 10, annual pension in the amount stated under regulation 11 subject to regulation 12; and
 - (b) an additional sum at the annual rate of 1/60 of his average pensionable emoluments for each complete period of three years pensionable service.
52. (2) The additional sum:
- (i) must not exceed 10/60 of his average pensionable emoluments; and
 - (ii) together with the remainder of the officer’s pension must not exceed the pension for which he would have been eligible if he had continued to hold the office held by him at the date of his retirement, and retired on reaching normal retirement age, having received all increments for which he would have been eligible by that date.

CALCULATING COMMUTED BENEFITS

Commuted pension

53. (1) Subject to subregulation (2), commuted pension is 75% of the annual pension calculated under regulation 11.
54. (2) The commuted pension must not exceed the following:

$$[\text{Net pension}] - \left(\text{social security benefit} \times \frac{\text{weeks of social security contribution from public service}}{\text{total weeks of social security contribution}} \right)$$

55. (3) In this regulation, “net pension” means 85% x A.P.E less 25% of the annual pension calculated under regulation 11.
56. (4) The calculation of the maximum pension under subregulation (2) must be done at the time of the award of pension and, if social security benefit is awarded at a later date, the calculation must be done again at that later date.

Commuted gratuity

57. (1) Commuted gratuity under regulation 3(1)(b) is the annual pension under regulation 11, subject to regulation 12 multiplied by 25% of the factor set out in the Schedule that corresponds to the age of the pensionable officer when the commuted gratuity is paid.
58. (2) The Schedule may be amended by Order made by the Governor acting of the advice of Cabinet.

CALCULATING SURVIVOR OPTION

Spouse option

59. The pension with survivor option under regulations 3(1)(c) and 3(1)(d) must be calculated so that the combined value of the pension and the spouse's benefit is the actuarial equivalent of the pension of the pensionable officer under regulation 11, subject to regulation 12 and Part 5 respectively, taking into consideration the age of the spouse at the officer's retirement, the prevailing interest rates and the life expectancy index.

Ten year guarantee option

60. The pension benefit under regulations 3(1)(e) and 3(1)(f) must be calculated so that the combined value of the pension benefit and the guarantee for ten years is the actuarial equivalent of the pension of the pensionable officer under regulation 11, subject to regulation 12 and Part 5 respectively, taking into consideration the age of and life expectancy of the officer.

CALCULATING OTHER BENEFITS

Early exit benefit for more than ten years' service

61. (1) The lump sum that may be granted to a pensionable officer with ten years or more of service is to be calculated as follows: 4% of the average pensionable emoluments multiplied by the number of years of service, prorated for any fraction of a year served.
62. (2) The rate of the deferred benefit is the amount under regulation 11 subject to regulation 12. Gratuity for pensionable officer with less than ten years
63. The gratuity that may be granted to a pensionable officer with less than ten years of service is five times the annual amount of the pension under regulation 11, subject to regulation 12.

Notice required

64. (1) A lump sum payment under regulation 19(1) is payable no earlier than six months from the date that the pensionable officer gives notice to the Financial Secretary of his intention to opt for the early exit benefit under section 13(1) of the Act unless the notice requirement is waived by the Financial Secretary.

65. (2) A gratuity under regulation 20 is payable no earlier than six months from the date that the pensionable officer gives notice to the Financial Secretary of his intention to retire under section 15 of the Act unless the notice requirement is waived by the Financial Secretary.⁸

⁸ *Montserrat CAP 6.07 Pensions Act and Subsidiary Legislation (January 2013)*

CHAPTER 4 GOM PENSION BENEFITS PROCEDURES AND FRAMEWORK

PRIOR PENSION BENEFITS COMPUTATION PROCEDURES

66. Processing of pension benefits was the responsibility of the then Administration Department (now HRMU). At the time, Pensionable Officers only had two pension benefits options:

- (i) Full pension
 - (ii) Reduced Pension and lump-sum Gratuity
- A. Months before the retirement date of a pensionable officer, a letter was sent out by Administration to persons due to retire.
 - B. Admin Dept. would research the officer's work history from their Human Resource personnel file and also from the departmental files. When the SmartStream software was implemented, the pensionable officer's emolument payment history from this program was also included.
 - C. This extracted work history, was documented on a C46 form (refer Appendix IV), taking into consideration factors like Allowances - Acting or Responsibility. Unpaid leave (extended sick, study, and vacation leave) and other allowances (travelling and entertainment), had to be deducted before the pension benefits was calculated.
 - D. From this C46 form, the pensioner's benefits were calculated as per the laws and regulations that were passed and amended over the years. Initially the computations were performed manually; however, with the advent of the Information Technological age and the use of computers, Microsoft Excel spreadsheet was used instead.
 - E. The pension benefits calculations had to be verified as correct by an external department. In the past, the computed pension benefits were forwarded to departments such as: Finance, Audit Department (now OAG), and Internal Audit, to be double-checked.
 - F. Once verified as correct, the Admin Dept. would notify the pensionable officer of the benefits due to them with directives to choose an option which best suits their needs.
 - G. Once the pensioner responds back with their choice of pension and banking details, the pension is paid out to them as per their written instructions.

EXISTING PENSION BENEFITS PROCEDURES

67. Since the Pension Reform, the current pension benefits calculation procedures are more or less the same except for a few changes to include:

- A. The introduction and use of the bespoke Pension Calculator tool.
- B. As per the current *Pensions Act* (2013), benefits are now paid out from a Consolidated Fund, which include:
 - (i) Retirement Benefits/Normal (which represent biggest portion of benefits)

- (ii) Early Exit
 - (iii) Medical Grounds
 - (iv) Death
 - (v) Termination of employment (to the extent of current public service law).
- C. The computation of pension benefits, currently fall under the jurisdiction of the ODG; they are prepared internally by the ODG and verified externally by Ministry of Finance and Economic Management (MoFEM). The Accountant General of the Treasury Department is in charge of verifying the correctness of the Pensions calculations.
- D. Pensioners must provide a notarised Life Certificate to ODG/HRMU, annually, to prove that they are still alive. The normal deadline to receive these certified Life Certificates by is in January; however they are allowed up until March 31st to submit them.

PENSION CALCULATOR SOFTWARE (ver. 2.9.8)

GOVERNMENT OF MONTSERRAT PENSION CALCULATIONS			
NORMAL & EARLY RETIREMENT			
Name of employee:		Jane Doe	
Social Security or ID #:		123456	
		Sex: Male	
		Day	Month
Date of Birth:		11	9
Date of entry into Pensionable Service:		11	9
Actual Retirement Date:		10	9
Normal Retirement Age:	60	Early Retirement Age:	50.0
Age at Retirement:	55.00	Type of Retirement:	Early
Have there been any periods of non-pensionable service between Start & Retirement Dates?			
	Before June 1, 2011	0	months
	From June 1, 2011	0	months
Pensionable Service:	28.72 years before June 1 2011 &	6.28 years from June 1 2011	
Total:	35.00 years	420.0	months
	Salary	Taxable Allowance	Pensionable Emoluments
Highest 3 Pensionable Emoluments	\$ 78,000.00	\$25,440.00	#####
	\$ 78,000.00	\$25,440.00	#####
	\$ 78,000.00	\$25,440.00	#####
Average Pensionable Emolument			#####
Benefit Percentage	63.72%		
Early Retirement Reduction Factor	0.00%		
Gross Pension	\$ 65,911.97 per annum, or \$ 5,492.66 per month		
If gratuity option selected:			
Commuted Gratuity	\$ 206,965.23		
Commuted Pension	\$ 49,433.98 per annum, or \$ 4,119.50 per month		
Optional Pension Forms		Without Gratuity	With Gratuity
10-years guaranteed & life thereafter		\$65,138.90	\$ 48,854.17
Joint & Survivors	Spouse Age	#N/A	#N/A
	0		
Maximum Combined Social Security + Gov't Pension			
If Gratuity not taken	\$ 87,924.00 per annum, or \$ 7,327.00 per month		
If Gratuity taken	\$ 71,446.01 per annum, or \$ 5,953.83 per month		
Prepared by:		Date:	16-Jan-18
Verified by:		Date:	

68. The Pension Calculator, in use by ODG, was designed specifically for the department to utilise in the calculation of Pension Benefits. This Pension Calculator was introduced to streamline the pension benefits computations and in compliance with the revised GoM Pensions Act and Pensions Regulations.
69. The Pension Calculator is Microsoft Excel spreadsheet-based. There are six (6) types of pension benefits calculated in five (5) separate worksheets, which are accessed by clicking on the labelled tabs at the bottom of the calculator. In each work sheet, there are text fields which enable the user to type in the following information pertaining to the pensionable officer:
- Name
 - Social Security or ID #
 - Sex
 - Date of Birth
 - Date of Entry into Pensionable Service
 - Actual Retirement Date
 - Periods of Non-Pensionable Service
 - Highest 3 Pensionable Emoluments
 - Joint & Survivors - Spouse Age
70. When the above information is inserted into the text fields, the benefits are calculated by formulaes/equations as per the laws and regulations outlined in the revised Montserrat CAP 6.07 Pensions Act (Jan 2013).
71. The Pension benefits totals and the projected amounts to be received by the pensioner (i.e. monthly or annually), are displayed beside the benefits options:
- Gross Pension
 - Commuted Gratuity & Pension
 - Optional Pension Forms (10-years guaranteed & life thereafter or Joint & Survivors) Without Gratuity/With Gratuity
 - Maximum Combined Social Security & Gov't Pensions

OBSERVATIONS

72. The investigation phase for obtaining the pensionable officers' work history is very and laborious and time-consuming. The pensioner's departmental file outside of the HRMU's personnel file is requested in order to cross-reference details and/or to extract information that may have been excluded. SmartStream is also consulted for verification of emoluments, etc.
73. In order to ensure that all pensionable officers' data and information is up to date, complete, and accurate, arrangements and procedures have been put in place and are supposed to be followed in the administration and management of GoM Pensions, such as:
- Production of annual List of Employees due to retire produced from the Nominal Roll/Establishment List

- Salary Scales and increment years
- C46 Form – Service History from beginning to termination of employment
- Pensionable Emoluments and Pension Benefits Calculations
- Correspondences sent to/received from pensioners and persons due to retire
- Life Certificates

However, some of these arrangements and procedures are not always adhered to.

74. The bespoke Pension Calculator computation is very accurate.
75. The Actuary, who maintains the Pension Calculator, resides overseas and only return to the island approximately 2 - 3 times a year on business.
76. Not much is known about the design and software development side of the Pension Calculator. To date, the Actuary who implemented and still maintains the calculator was not forthcoming with providing us with information, despite follow-up reminders (emails, phone calls, face-to-face encounters). It was not confirmed if the Actuary himself, actually designed and/or developed the bespoke Pension Calculator for the ODG.
77. The calculator has been updated a few times; as at March 2017, the current version in use is ver. 2.9.8. As recent as March 2017, there were discrepancies in the gratuity computation as the calculator was rounding off the figures and as a result calculated incorrect gratuities.
78. If the incorrect date(s) are entered for Date of entry into Pensionable Service: and/or Actual Retirement Date:, the output for Type of Retirement: will be “Not Eligible”, highlighted in red to indicate an error.

CHAPTER 5 FINDINGS AND RECOMMENDATIONS

FINDINGS

79. Poor recordkeeping by HRMU and/or the department(s) where the pensionable officers served is an issue. Any information that is inaccurate or has been omitted from the files can result in pension benefits being calculated incorrectly. We are recommending that the key stakeholders make an effort to improve their record keeping of personnel files to ensure accurate information is transferred.
80. The pension calculator computations are very accurate, whether or not precise information is keyed into the tool.

Risk

There is no means of checking for human error during data entry. Consequently, if the wrong information is entered, or any pertinent information is omitted from the C46 form the pension benefits would be calculated incorrectly. Also incorrect information being keyed in (i.e. incorrect names, sex, date of birth, and SS number) is not being flagged by the Pension Calculator.

81. There are still certain sections of the pension benefits that have to be manually computed by the staff responsible for processing the pension benefits. For example, any breaks in service (such as no paid leave, study leave, etc.) has to be converted into months. Consequently, the user has to manually calculate the days into months before inserting into Pension Calculator. This method leaves much room for human error.
82. The calculator is a Microsoft Excel-based program that uses formulas/equations/functions to compute the Pensions and Benefits. It is a very secure and unmodifiable program as the graphical user interface (GUI) cannot be altered in anyway by the user; nor can they see or have access to the formulas in the calculator. If the Show Formulas option is selected to reveal the formulas/equations/functions, the Actuary wrote and setup to calculate the pension benefits, only blank dark green areas will appear, as seen below.

GOVERNMENT OF MONTSERRAT PENSION CALCULATIONS																			
NORMAL & EARLY RETIREMENT																			
Name of employee:	Jane Doe		Female																
Social Security or ID #:	123456																		
Date of Birth:	11	9	1962																
Date of entry into Pensionable Service:	11	9	1982																
Actual Retirement Date:	10	9	2017																
<table border="1"> <tr> <td>Before June 1, 2011</td> <td>0</td> </tr> <tr> <td>From June 1, 2011</td> <td>0</td> </tr> </table>				Before June 1, 2011	0	From June 1, 2011	0												
Before June 1, 2011	0																		
From June 1, 2011	0																		
<table border="1"> <thead> <tr> <th>Highest 3 Pensionable Emoluments</th> <th></th> <th></th> <th></th> </tr> </thead> <tbody> <tr> <td>78000</td> <td>25440</td> <td></td> <td></td> </tr> <tr> <td>78000</td> <td>25440</td> <td></td> <td></td> </tr> <tr> <td>78000</td> <td>25440</td> <td></td> <td></td> </tr> </tbody> </table>				Highest 3 Pensionable Emoluments				78000	25440			78000	25440			78000	25440		
Highest 3 Pensionable Emoluments																			
78000	25440																		
78000	25440																		
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<table border="1"> <tr> <td>Benefit Percentage</td> <td></td> </tr> <tr> <td>Early Retirement Reduction Factor</td> <td></td> </tr> </table>				Benefit Percentage		Early Retirement Reduction Factor													
Benefit Percentage																			
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	0																		
Maximum Combined Social Security + Gov't Pension																			

Risk

The users of the Pension Calculator cannot make any changes to it and although this may appear on the surface to be a good control mechanism, there are risks associated with the Actuary maintaining control over the software as follows:

- Delays in processing pension benefits when difficulties with the functionality of the software are encountered.
- Risk of continued availability of support or supplier failure that would lead to loss of software use and negatively impact the calculation Pension benefits.

83. Police benefits are still being calculated separately from Public Servants. Prior to the CSP Reform, the Police force was regulated under the Police Act. Since the amalgamation of Pensions and SS Benefits, Police pensions fall under the jurisdiction of the revised Pensions Act. However, it is still unclear by the users of the Pension Calculator software, why Police pensions are still being computed independently. At the time of writing this report, the ODG did not report back to the Office of the Auditor General about the reason for the separate calculation.

RECOMMENDATIONS

84. The most pressing issue concerning the bespoke Pension Calculator application that was pinpointed and we recommend that ODG address is as follows:
85. Regarding the risk of supplier failure, the ODG should consider (again) the feasibility of purchasing the Pension Calculator application and maintaining it in-house. If this option is not accepted by the Actuary, then ODG should request that the calculator application be lodged in an escrow agreement where it is stored and maintained by the Department of Information Technology & e-Services (DITES).

CHAPTER 6 OVERALL CONCLUSION

86. The Office of the Auditor General determined that the post-implementation benefits of the Pension Calculator were achieved. The tool streamlines the previous computation process, the pension benefits are being calculated accurately, in compliance with CARTAC's Pension Reform and the revised Montserrat CAP 6.07 Pensions Act and Subsidiary Legislation (Jan 2013), and the extracted information from the C46 form.
87. However, a few drawbacks were identified involving the human error aspect, where the pensionable officers' work histories are collated from various sources then used to populate the C46 form. The pensioners' work history could result in being erroneous due to:
- poor recordkeeping on the part of HRMU and the Departments where the pensionable officers worked
 - information being overlooked and/or omitted from the C46 form
 - incorrect information being keyed into the calculator by the user
88. All the noted shortcomings can result in GoM processing incorrect transactions and ultimately paying incorrect benefits to pensioners if due diligence is not exercised.

CHAPTER 7 MANAGEMENT RESPONSE

No response was received from the Office of the Deputy Governor.

REFERENCES

Web Pages

<http://www.gov.ms/wp-content/uploads/2011/02/Sustainability-Road-Map-12-Full-Text.pdf>

http://www.mnialive.com/externaldocs/Plan_of_Action_for_Montserrat_Pension_Reform.pdf

Documents

GoM Pension Benefits – Framework and Procedures

International Monetary Fund Staff Country Papers, *IMF Country Report No. 12/9, United Kingdom – Montserrat – British Overseas Territory*, 2011 Article IV Consultation Discussions, November 15, 2011

J.E. Duggan & D. Osborne (December 2009), *The Civil Service Pension Scheme in Montserrat: Plan of Action for Reform*, Caribbean Regional Technical Assistance Center (CARTAC)

Revised Montserrat Laws CAP 6.07 Pensions Act and Subsidiary Legislation (January 2013)

Report on the Audit of Pensions and Retiring Benefits, April 2013 – March 2014, Office of the Auditor General (2015)

APPENDIX I – Pensionable Offices

Each of the offices specified in the Schedule below have been a pensionable office from the respective date when a public officer of the Government of Montserrat was first appointed to an office under that title on pensionable terms.

SCHEDULE

GENERAL

Permanent Secretary
Principal Assistant Secretary
Senior Assistant Secretary

Assistant Secretary
Executive Officer
Senior Clerical Officer
Clerical Officer
Office Attendant

AUDIT

Auditor General
Deputy Auditor General
Audit Manager
(Audit Assistant)

LEGISLATURE

Clerk of Councils

GOVERNOR'S OFFICE

Cook
Steward

ADMINISTRATION

Chief Training Officer
Training Officer
Superintendent of Prison

Chief Prison Officer
Principal Officer II, I
Prison Officer
Wardress/Clerk

POLICE

Commissioner
Deputy Commissioner
Assistant Superintendent
Inspector
Commander – Fire

LEGAL

Attorney General
Principal/Senior Crown Counsel
Crown Counsel
Legal Draftsman

JUDICIAL

Senior Magistrate
Magistrate/Registrar
Bailiff

TREASURY

Accountant General
Deputy Accountant General

CHIEF MINISTER

Personal Assistant
Information Officer
Public Relations Officer
Station Manager
News Editor/Producer
News Sub-Editor
Senior Announcer
Announcer
Senior Technician
Technical Assistant II & I
Production Assistant
Technician
Director of Tourism
Tourism Officer
Tourism Assistant III, II, I

**FINANCIAL &
ECONOMIC
DEVELOPMENT**

Financial Secretary
Director of Financial Services
Operation Officer (Computer)

DEVELOPMENT UNIT

Director of Development
Senior Economist
Economist

STATISTICS

Senior Statistician
Statistician

POST OFFICE

Postmaster
Deputy Postmaster
Postman

INLAND REVENUE

Inspector of Taxes III, II, I
Valuation Officer
Bailiff
Comptroller
Deputy Comptroller

**AGRICULTURE, TRADE
LANDS AND HOUSING**

Executive Officer –
Price Control
Senior Clerical Officer –
(Price Control)
Director
Agricultural Engineer
Senior Veterinary Officer
Veterinary Officer
Veterinary Assistant
Co-operatives Officer
Principal Agricultural Officer
Agricultural Officer – Fisheries
Agricultural Assistant
Assistant Agricultural Officer
Food Technologist
Assistant Food Technologist
Laboratory Technician
Livestock Officer
Forestry Officer
Forest Ranger
Foreman – Tractors
Foreman – Nurseries
Chief Surveyor/Lands Officer
Surveyor/Valuation Officer
Land Registration Officer
Building Inspector
Survey Technician
Trainee Surveyor
Plan Printer/Attendant

CUSTOMS & EXCISE

Comptroller
Deputy Comptroller
Senior Customs Officer
Customs Officer
Junior Customs Officer
Customs Guard

COMMUNICATION & WORKS

Storekeeper
Assistant Storekeeper
Project Engineer
Civil Engineer
Superintendent of Works
Technical Assistant
Senior Foreman
Foreman
Senior Electrical Inspector
Electrical Inspector
Senior Security Officer
Security Officer
Superintendent of Plant & Workshop
Specialist Trademan
Manager – Airport
Senior Airport Officer
Airport Officer
Senior Fireman
Fireman Labour Commissioner

Labour Officer

Sports Officer
Vehicle Tester

HEALTH & COMMUNITY SERVICES

Director of Health Services/Surgeon
Medical Officer
Nutrition Officer
Dental Officer
Dental Nurse
Dental Nurse Assistant
Principal Nursing Officer
Senior Nursing Officer
Sister Tutor
Clinical Instructor
Nurse Anaesthetist
Community Psychiatric Nurse
Ward Sister
Staff Nurse
Nursing Assistant
Senior Nursing Assistant
Public Health Nurse
District Nurse
Principal Environmental Health Officer
Health Services Manager

EDUCATION

Director of Education
Education Officer
Curriculum Co-ordinator
School Psychologist
Co-ordinator Early Childhood Education
Health Education Specialist
Maintenance Supervisor
Chauffeur
Head Teacher
Trained Teacher
Untrained Teacher
Principal
Vice Principal
Head of Nursery Schools
Graduate Teacher
Technical Teacher IV, III, II, I
Senior Non-Graduate Teacher
Technician
Laboratory Assistant
Principal Librarian

Librarian

Senior Library Assistant
Library Assistant
Director/Co-ordinator Culture

Health Educator
Administrative Sister
Assistant Physiotherapist
Physiotherapist
Senior Environmental Health Officer
Environmental Health Officer
Cemetery Keeper
Senior Radiographer
Senior Pharmacist
Pharmacist
Senior Laboratory Technician
Laboratory Technician
Supervisor of Drivers/Orderlies
Driver/Orderly
Maintenance Mechanic
Supervisor/Maids
Supervisor of Food
Assistant Supervisor of Food
Principal Community Development Officer
Senior Community Development Officer
Community Development Officer

LAW OF MONTSERATT		Pensions		CAP. 06.07		25	
Revision Date: 1 Jan 2013						[Subsidiary]	
SCHEDULE							
<i>(Regulation 16)</i>							
AGE FACTOR FOR COMMUTED GRATUITY							
Age at Retirement		Factor					
45		13.9518					
46		13.8411					
47		13.7245					
48		13.6019					
49		13.4731					
50		13.3379					
51		13.1961					
52		13.0476					
53		12.8923					
54		12.7299					
55		12.5601					
56		12.3828					
57		12.1982					
58		12.0068					
59		11.8092					
60		11.6053					
61		11.3955					
62		11.1802					
63		10.9600					
64		10.7355					
65		10.5074					
66		10.2757					
67		10.0404					

Figure I - CAP 6.07 Pensions Act Retirement Age and Commuted Service Requirements Schedule Excerpt

LAW OF MONTSERATT		Pensions		CAP. 06.07		15	
Revision Date: 1 Jan 2013							
SCHEDULE							
<i>(Sections 7 and 8)</i>							
RETIREMENT AGE AND YEARS OF SERVICE REQUIREMENTS FOR EXISTING OFFICERS							
Column 1	Column 2	Column 3	Column 4				
Birth year	Normal* Retirement Age	Early Retirement					
		Age*	Years of* Service				
Before 1961	55	N/A	N/A				
1961	60	55	30				
1962	60	55	31				
1963	60	55	31				
1964	61	56	32				
1965	61	56	32				
1966	61	56	33				
1967	62	57	33				
1968	62	57	34				
1969	62	57	34				
1970	63	58	35				
1971	63	58	35				
1972	63	58	35				
1973	64	59	35				
1974	64	59	35				
1975	64	59	35				
After 1975	65	60	35				

*If the pensionable officer is a police officer below the rank of Inspector, the values in these columns must be reduced by five.

Figure II - CAP 6.07 Pensions Act Age Factor for Gratuity Schedule Excerpt

APPENDIX II – CAP 6.07 Pension Act Schedules

GOVERNMENT OF MONTSERRAT PENSION CALCULATIONS

NORMAL & EARLY RETIREMENT

Name of employee:	Jane Doe	Sex:
Social Security or ID #:	123456	Male

	Day	Month	Year
Date of Birth:	11	9	1962
Date of entry into Pensionable Service:	11	9	1982
Actual Retirement Date:	10	9	2017

Normal Retirement Age:	60	Early Retirement Age:	50.0
Age at Retirement:	55.00	Type of Retirement:	Early

Have there been any periods of non-pensionable service between Start & Retirement Dates?

Before June 1, 2011	0	months
From June 1, 2011	0	months

Pensionable Service:	28.72 years before June 1 2011 &	6.28 years from June 1 2011
Total:	35.00 years	420.0 months

	Salary	Taxable Allowance	Pensionable Emoluments
Highest 3 Pensionable Emoluments	\$ 78,000.00	\$ 25,440.00	\$103,440.00
	\$ 78,000.00	\$ 25,440.00	\$103,440.00
	\$ 78,000.00	\$ 25,440.00	\$103,440.00
Average Pensionable Emolument			\$103,440.00

Benefit Percentage	63.72%
Early Retirement Reduction Factor	0.00%

Gross Pension \$ 65,911.97 per annum, or \$ 5,492.66 per month

If gratuity option selected:

Commuted Gratuity	\$ 206,965.23
Commuted Pension	\$ 49,433.98 per annum, or \$ 4,119.50 per month

Optional Pension Forms	Without Gratuity	With Gratuity
10-years guaranteed & life thereafter	\$ 65,138.90	\$ 48,854.17
Joint & Survivors Spouse Age	0	#N/A

Maximum Combined Social Security + Gov't Pension

If Gratuity not taken	\$ 87,924.00 per annum, or \$ 7,327.00 per month
If Gratuity taken	\$ 71,446.01 per annum, or \$ 5,953.83 per month

GOVERNMENT OF MONTSERRAT PENSION CALCULATIONS

NORMAL & EARLY RETIREMENT - POLICE Below Inspector

Name of employee:	John Doe	Sex:
Social Security or ID #:	123456	2019

	<i>Day</i>	<i>Month</i>	<i>Year</i>
Date of Birth:	20	2	1964
Date of entry into Pensionable Service:	15	8	1991
Actual Retirement Date:	19	2	2024

Normal Retirement Age:	56	Early Retirement Age:	51.00
Age at Retirement:	60.00	Type of Retirement:	Late

Have there been any periods of non-pensionable service between Start & Retirement Dates?

Before June 1, 2011	0	months
From June 1, 2011	0	months

Pensionable Service:	19.79 years before June 2011 &	12.72 years from June 1 2011
Total:	32.52 years	390.2 months

	Salary	Taxable Allowance	Pensionable Emoluments
Highest 3 Pensionable Emoluments	\$ 40,248.00	\$ 1,000.00	\$ 41,248.00
	\$ 40,248.00	\$ 2,000.00	\$ 42,248.00
	\$ 40,248.00	\$ 3,000.00	\$ 43,248.00
Average Pensionable Emolument	\$ 42,248.00		

Benefit Percentage	52.31%
Early Retirement Reduction Factor	0.00%

Gross Pension \$ 22,099.93 per annum, or \$ 1,841.66 per month

If gratuity option selected:

Commutated Gratuity	\$ 64,119.08	
Commutated Pension	\$ 16,574.95	per annum, or \$ 1,381.25 per month

Optional Pension Forms	Without Gratuity	With Gratuity
10-years guaranteed & life thereafter	\$ 21,840.72	\$ 16,380.54
Joint & Survivors Spouse Age	#N/A	#N/A
	58	

Maximum Combined Social Security + Gov't Pension

If Gratuity not taken	\$ 35,910.80	per annum, or \$ 2,992.57 per month
If Gratuity taken	\$ 30,385.82	per annum, or \$ 2,532.15 per month

GOVERNMENT OF MONTSERRAT PENSION CALCULATIONS

MEDICAL RETIREMENT

Name of employee:	James Doe	Sex:
Social Security or ID #:	123456	Male

	Day	Month	Year
Date of Birth:	11	9	1962
Date of entry into Pensionable Service:	11	9	1982
Actual Retirement Date:	10	9	2017

Normal Retirement Age: 60 Early Retirement Age: 51.0
 Age at Retirement: 55.00 Type of Retirement: Medical Retirement

Have there been any periods of non-pensionable service between Start & Retirement Dates?

Before June 1, 2011	0	months
From June 1, 2011	0	months

Pensionable Service: 28.72 years before June 1 2011 & 6.28 years from June 1 2011
 Total: 35.00 years 420.0 months

	Salary	Taxable Allowance	Pensionable Emoluments
Highest 3 Pensionable Emoluments	\$ 78,000.00	\$ 25,440.00	\$103,440.00
	\$ 78,000.00	\$ 25,440.00	\$103,440.00
	\$ 78,000.00	\$ 25,440.00	\$103,440.00
Average Pensionable Emolument			\$103,440.00

Benefit Percentage 63.72%

Gross Pension \$ 65,911.97 per annum, or \$ 5,492.66 per month

If gratuity option selected:

Commutated Gratuity \$ 206,965.23
 Commuted Pension \$ 49,433.98 per annum, or \$ 4,119.50 per month

Optional Pension Forms		Without Gratuity	With Gratuity
10-years guaranteed & life thereafter		\$ 65,138.90	\$ 48,854.17
Joint & Survivors	Spouse Age	#N/A	#N/A
	<input type="text" value="58"/>		

Maximum Combined Social Security + Gov't Pension

If Gratuity not taken \$ 87,924.00 per annum, or \$ 7,327.00 per month
 If Gratuity taken \$ 71,446.01 per annum, or \$ 5,953.83 per month

GOVERNMENT OF MONTSERRAT PENSION CALCULATIONS

DEATH

Name of employee:	James Doe	Sex:
Social Security or ID #:	123465	Male

	<i>Day</i>	<i>Month</i>	<i>Year</i>
Date of Birth:	3	7	1958
Date of entry into Pensionable Service:	6	9	1976
Date of Death :	3	7	2013

Age at Death 55.0 years

Have there been any periods of non-pensionable service between Start & Retirement Dates?

Before June 1, 2011	0	months
From June 1, 2011	0	months

Pensionable Service:	34.73 years before June 1 2011 &	2.09 years from June 1 2011
Total:	36.82 years	441.9 months

	Salary	Taxable Allowance	Pensionable Emoluments
Highest 3 Pensionable Emoluments	\$ 23,000.00	\$ 1,000.00	\$ 24,000.00
	\$ 24,000.00	\$ 1,500.00	\$ 25,500.00
	\$ 25,000.00	\$ 2,000.00	\$ 27,000.00
Average Pensionable Emolument			\$ 25,500.00

Benefit Percentage 71.56%

Pensionable Emoluments	\$ 27,000.00
Commuted Gratuity	\$ 57,298.55

Lump sum payable to Beneficiary **\$ 57,298.55**

GOVERNMENT OF MONTSERRAT PENSION CALCULATIONS

EARLY EXIT BENEFIT

Name of employee:	James Doe	Sex:
Social Security or ID #:	123456	Male

	<i>Day</i>	<i>Month</i>	<i>Year</i>
Date of Birth:	20	2	1968
Date of entry into Pensionable Service:	15	1	2005
Early Exit Date:	20	2	2015

Age at Early Exit : 47.00 years

Have there been any periods of non-pensionable service between Start & Retirement Dates?

Before June 1, 2011	10	months
From June 1, 2011	3	months

Pensionable Service: 5.54 years before June 1, 2011 & 3.48 years from June 1, 2011
Total: 9.02 years 108.20 months

	Salary	Taxable Allowance	Pensionable Emoluments
Highest 3 Pensionable Emoluments	\$ 40,248.00	\$ 1,000.00	\$ 41,248.00
	\$ 40,248.00	\$ 2,000.00	\$ 42,248.00
	\$ 40,248.00	\$ 3,000.00	\$ 43,248.00
Average Pensionable Emolument	\$ 40,248.00		\$ 42,248.00

Benefit Percentage 14.56%

Early Exit Benefit Options

Lump Sum Payment \$ -
 or **Deferred Pension** \$ - per annum, or \$ - per month

Note: The deferred pension will start at the officer's Normal Retirement Age

APPENDIX IV – Pension Calculator Schedules

Retirement Age and Years of Service Requirements for existing officers				Age Factor for Commuted Gratuity Schedule	
Column 1	Column 2	Column 3	Column 4		
Birth Year	Normal* Retirement Age	Early Retirement		Age at Retirement	Factor
		Age*	Year of* Service		
1949	55	55	30	35	14.7858
1950	55	55	30	36	14.7214
1951	55	55	30	37	14.6531
1952	55	55	30	38	14.5809
1953	55	55	30	39	14.5046
1954	55	55	30	40	14.4242
1955	55	55	30	41	14.3394
1956	55	55	30	42	14.2501
1957	55	55	30	43	14.1559
1958	55	55	30	44	14.0566
1959	55	55	30	45	13.9518
1960	55	55	30	46	13.8411
1961	60	55	30	47	13.7245
1962	60	55	31	48	13.6019
1963	60	55	31	49	13.4731
1964	61	56	32	50	13.3379
1965	61	56	32	51	13.1961
1966	61	56	33	52	13.0476
1967	62	57	33	53	12.8923
1968	62	57	34	54	12.7299
1969	62	57	34	55	12.5601
1970	63	58	35	56	12.3828
1971	63	58	35	57	12.1982
1972	63	58	35	58	12.0068
1973	64	59	35	59	11.8092
1974	64	59	35	60	11.6053
1975	64	59	35	61	11.3955
1976	65	60	35	62	11.1802
1977	65	60	35	63	10.96
1978	65	60	35	64	10.7355
1979	65	60	35	65	10.5074
1980	65	60	35	66	10.2757
1981	65	60	35	67	10.0404
1982	65	60	35		
1983	65	60	35		
1984	65	60	35		
1985	65	60	35		
1986	65	60	35		
1987	65	60	35		
1988	65	60	35		

APPENDIX V – Pension Benefits C46 Form

COLONIAL PENSIONS, ETC

PARTICULARS required to be furnished in reference to persons recommended for Superannuation, Compensation or Compassionate Allowances or Gratuities on retirement.

(In filling up this paper refer to the Instructions on page 4)

-
1. Name of Applicant.....
 2. Office or Grade.....
 3. Recommended for..... respectively
 4. Date of Birth..... Age..... years
 5. Service in years and months.....
 6. Salary or Wages (Salary)
 7. Emoluments
Total amount of salary or Wages Emoluments on which superannuation, &c., is claimed _____
 8. Cause of Retirement.....
 9. Dates of commencement and termination of the several appointments held by applicants with their emoluments, distinguishing salary from other allowances, and specifying such allowances.

10. Whether each of the appointments held by the applicant has been on the fixed Establishment of the Colony.

Title of Appointment	Date of Commence-ment	Date of Termina-tion	Salary	Allowan-ces, &c	Nature of Allowances, &c.

11. Whether the duties of the several offices or situations held since the applicant entered the Civil Service have been such as to require that the holder should give his whole time to the Public Service.

12. Whether holding any other public appointment or receiving or claiming to receive any public money by compensation, half-pay, or otherwise.

13. If any kind of pension or other allowance has been commuted under the Imperial Pension Commutation Acts, 1869 and 1871, the annual amount of pension or allowance so commuted and the date of commutation should be inserted.

Absence beyond ordinary vacation leave from the 7th April, 1902.

Year	Period of Absence	Number of days.	Cause of Absence

15. Date of cessation of duty.....

16. Date of cessation of salary.....

17. Date from which, inclusively, pension will commence.....

18. Statement, if the circumstances warrant it that the applicant " has discharged his "duties with diligence and fidelity, to the satisfaction of the Head Officer or Officers "of his Department," to be signed by any two of such Head Officers, if their shall be more than one or by such Head Officer, if there shall be but one, together with " such a statement as will exhibit the merit, and value, and labour of the services of " the person recommended embracing as long as period of his public service as can be authentically stated," and observations as to special services, suspension, reprimand &c., with full particulars of any injuries received on duty, or other claims or matters for consideration.

19. Computation of the pension, &c.

I certify that the amounts which may be paid to the Applicant according to the Pension Act amounts to
and I base my certificate on the attached calculation.

Instructions.

Budget Analyst

Attached, please find C46 Forms in respect of(Name).....,(Job Title) ,(Office) , for computation of(his/her)..... retiring benefits.

.....
Head, ODG (Ag)

Attached.

.....Date.....

APPENDIX VI – Pension Benefits Option Form



PENSION BENEFITS OPTION FORM

This form is for Pensionable Officers under the Pensions Act 2011 to choose their preferred retirement or exit option. The option you select is important to you and your beneficiary so please be sure to carefully read and select the option that best suits your needs. Should you have any questions, please feel free to contact the office on 664-491-9202/6524.

Personal Information		
Last Name:	First Name:	D.O.B.:
Address:	Employment No.:	Social Security No.:
Phone No.:	E-mail Address:	
Bank Details:	Gratuity: Pension:	

Please indicate your option by marking one of the following:

- A A PENSION terminating upon my death.
- B A PENSION terminating upon my death or the death of my spouse, whichever is the later.*
- C A PENSION terminating upon my death or the expiration of 10 years after my date of retirement, whichever is the later.
- D A COMMUTED PENSION terminating upon my death, and a COMMUTED GRATUITY.
- E A COMMUTED PENSION terminating upon my death or the death of my spouse, whichever is the later and a COMMUTED GRATUITY.*
- F A COMMUTED PENSION terminating upon my death or the expiration of 10 years after my date of retirement, whichever is the later and a COMMUTED GRATUITY.
- G An EARLY EXIT BENEFIT (Lump Sum Payment) for _____ years of service.
- H An EARLY EXIT BENEFIT (Deferred Benefit) for _____ years of service.
- J A GRATUITY for _____ years (less than 10 years) of service.

*SPOUSE Information		
Last Name:	First Name:	DoB:

Signature of Officer:	Date:
-----------------------	-------

APPENDIX VII – Pension Benefits Life Certificate

LIFE CERTIFICATE

Claims for Pension from the Government of Montserrat

I certify that whose
signature is affixed below was alive on the day of
....., 20...

.....
Signature of Pensioner

(To be certified with stamp or seal affixed by a Minister of Religion, Justice of Peace,
Notary Public, Commissioner of Oaths or Bank Official)

.....
Signature

.....
Name

.....
Title

.....
Address

.....
Date



Office of the Deputy Governor
#3 Farara Plaza
Brades, Montserrat
Tel: (664) 491-9202/6524
Fax: (664) 491-9751
Email: odg@gov.ms