



PRIME MINISTER/MINISTER OF GENERAL AFFAIRS OF SINT MAARTEN

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STATEN VAN SINT MAARTEN	
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Geachte mevrouw Wescot-Williams,

Hierbij bied ik u de nota naar aanleiding van het verslag aan inzake het ontwerp van Landsverordening, tot wijziging van de Pensioenlandsverordening overheidsdienaren, tot wijziging van de Landsverordening leeftijdsgrens ambtenaren en de Wachtgeldregeling overheidsdienaren, alsmede tot intrekking van de Duurtetoeslagregeling gepensioneerden 1943 (Landsverordening herziening pensioen overheidsdienaren).

Hoogachtend,

Minister-President / Minister van Algemene Zaken
Leona Romeo-Marlin





MINISTER OF GENERAL AFFAIRS

Minister van Algemene Zaken

Note on the final report of Parliament regarding the draft National Ordinance amending the National Ordinance on Pension for civil servants, amending the National Ordinance age limit civil servants, and repealing the Long-term Allowance regulation pensioners 1943 (National Ordinance revision pension civil servants).

The Government of Sint Maarten has noted with interest the final report that the Central Committee of Parliament of Sint Maarten has adopted on December 13, 2018 on the draft National Ordinance revision pension civil servants. The members of the United Democrats-faction, the Sint Maarten Christian Party-faction, the National Alliance-faction and the United St. Maarten Party-faction asked several questions and Parliament considers the present draft to be adequately prepared, when the questions are answered. Government hereby present to Parliament the answers on the questions received.

A. The United Democrats-faction has taken note of the draft with interest. The faction mentions that we should consider that the pension age in the Netherlands is 67 years, but that it was gradually increased from 65 to 67, unlike what we are doing now taking it from 62 straight to 65. Also, the faction believes that in Curacao it has been 65 for a couple of years now. And of course, giving the financial situation that the Country and APS is in at the moment, this is a decent proposal.

1. The faction would like to know if account is taken for people with hard labor professions? Persons in cleaning jobs, persons in construction, uniformed forces, can their body actually carry that length of time? How would they be able to benefit from their pension?

No one is excluded of the new legislation proposed in the draft national ordinance. Government however, has promised the Unions to develop a comprehensive policy about: type of work, health, age, retraining, reassignment, readjusted work etc.

2. Is this rise in pension age for the working sector on Sint Maarten or only for civil servants? If so, how does the raising of the pension age for civil servants affect the general working sector in Sint Maarten?

These changes are only for the Public Servants, who have their pension regulated via this Pension Plan. For example government workers, teachers, SZV workers, APS workers etc. The draft national ordinance does not have any concrete consequence for other workers. Government has the intention to introduce the pension age of 65 years in due time also for other workers in consultation with their Unions. Government will keep Parliament informed of any action in that direction.

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3. How does this rise in the pension age take into account the physically demanding professions? If one would become a teacher at the age of 20, would we want our teachers to be standing in front of a classroom for 45 years? How would a teacher be allowed to retire and have their full salary after 20 or 30 years?

See answer to question A1.

4. How does this rise in the pension age relate to the bezoldiging? How will this benefit the police officers that are currently fighting for their correct placement and life insurance?

The Pension Plan is also applicable for the Police, so it affects them the same as all other Public Servants. If at a later date, changes are made to someone's legal position retroactively to a date prior to the date these pension changes take effect; a re-calculation has to be made.

5. In the former Netherlands Antilles, the country used a winding down phase, where for example the civil servants as they were leading up to retirement age they got to work a half day before they got to that age. The faction would like to know if there is any provision in this legislation for such? Was this analyzed, and if it is not there is there a specific reason why we did not take that over as well?

There was indeed such a policy in the Netherlands Antilles (NA) and also the Island Territory of Curacao, but it did not apply to the workers of the Island Territory of Sint Maarten because it did not have a legal basis to begin with. Such 'local' policies, enacted by circular letters ('rondschrijven' or 'circulaire') from the employer, did not become Country Sint Maarten policies after 10-10-10. Based upon the Lvo 'Overgangsbepalingen' only laws did, not such policies

6. How many civil servants does Government expect to go on pension in the next 2, 5 and 10 years?

Age	Year		
	2020	2023	2028
62	83	285	679
65	0	83	456

7. How many civil servants or persons on contract refuse to pay into the pension fund? Is it mandatory or do they have an option?

The registering (and participation) in the fund is a mandatory process based on the National Pension Ordinance for Public Servants. Public servants cannot refuse.

8. What is the exact amount of police officers, firefighters, immigration officers, and ambulance personnel that is currently not registered in the pension fund?

A total amount of 40 uniformed personnel is not registered as yet by APS.

9. How is the vision for investment for APS, when an enormous amount of money now will be invested in the National Hospital that will never be a money making a machine for the country and community that it serves?

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Every investment that APS contemplates must go through a stringent financial and legal due diligence process, which includes a risk analysis. APS' analysis of the SMMC investment was done based on the post hurricane Irma situation and the SMMC Facility Agreement was signed in February 2018. APS has continued to monitor the developments surrounding the SMMC. APS believes that the New General Hospital is a viable investment and does not see any reason to discontinue the investment at this point.

10. What is the absolute amount of the debt that the Government owes to APS? How does the Government intend to tackle this problem in the future to help out with this debt that APS is in need of?

The debt has been determined with a level date of October 31, 2015 to an amount of NAf 83 million. Of this amount NAf 63,5 million has been paid up till now, so the residual debt would be about NAf 19,5 million. In 2017 however a miscalculation was detected concerning the determined debt per October 2015, that should have been set at NAf 103 million.

The amount is NAf 39 million consists of NAf 20 million because of 3% premium difference from 2010 to 2015 and of about NAf 20 million which is the amount of the miscalculation.

The unaudited balance as per June 30, 2018 increased to NAf 47 million. This balance includes the amounts related to the schools and the high councils of state and late payments of the "Duurtetoelag".

11. In the presentation, other changes are mentioned for widows and orphans, what are the other changes that could be expected in the future?

Parties in the workgroup had indicated their wish to make further changes to the disability pension and widows and orphans pension. However, parties had not agreed on those changes yet. So a provision was made in this draft legislation, that those changes can be made later via a National Decree cgm (LB-ham) once an agreement has been made. As long as such a National Decree is not in place, nothing changes. This way those future changes will not hold up the legislative process now.

12. Can the Prime Minister and the Government indicate to us where the general pension review for the country of Sint Maarten stands? Where are we at this time with respect to a general pension scheme that is not the old age pension that we know today?

The AOV retirement age will also go from 62 to 65 years, with no possibility to retire earlier than 65 years. This legislation is expected to go into effect in , 2020.

13. The increase of the age will also affect other laws. How does Government plan to make sure that all of the laws that refer to the pension age of 60, and possibly 62, are amended as well? What are some of the consequences that Government foresees in amending other laws that until now go out from the premise of 60 years?

Government is not aware of such an oversight. The general pension age is now 62 year for all citizens of Sint Maarten.

14. Can the Government provide us with an overview of the civil service in terms of those persons in the civil service as such, those persons on contract, the age brackets of persons working for Government?

This question is partially answered under question B2. Government refer to that answer.

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15. How many persons working for Government approaching or having approached the pension age have requested to be maintained in service via a contract? And how many of these are already operating under those conditions?

After the increase of the pension age to 62, Government has adopted a policy of not extending employment after 62. This was communicated to the staff by letter of January 24, 2017. However, Government has asked some Public Servants to stay on if no replacement was found for a critical function.

Presently 17 people are employed at an age over 62. This includes 7 teachers and 3 people working in a Minister's Cabinet.

How many people have themselves requested to stay on after 62 is not readily available. They get a standard letter informing them about Governments policy.

16. Can Government provide us with an update on the functional review of the entire apparatus of Government? Are there any preliminary results available from this functional review?

Whether or not to go ahead with this functional review is now under consideration.

17. The faction would like to know at what point will the pension fund be able to pay pensions if measures are not taken? Can I be provided with a study of the social, economic impact if the pension age is not increased? What will the impact be on the pension fund?

APS will be able to pay pensions still for quite some years in the future. The expected funding ratio of APS at the end of 2018 is around 100%. The minimum target funding ratio of APS is 105% and the required target funding ratio is 115%.

For APS it is import that the premium level is sufficient to cover the costs of the pension accrual. Otherwise, this may result in a decrease of the funding ratio below 100%. In the current pension plan, which is a final pay plan, salary increases may result in costs of the pension accrual, which are higher than the premium level of 25%. This was the case in most of the past years and this had a negative impact on the funding ratio of APS. The advantage of an increase of the pension age is that the costs of the pension accrual will be lower. In the proposed pension reform plans, the pension plan will be changed from a final pay plan to a career average pay plan. In a career average pay plan salary increases only have a limited impact on the costs of the pension accrual compared to the premium level, which is positive for APS.

18. Is the pension age increase responsible for youth unemployment?

As stated before, there are many causes contributing towards youth unemployment. Government refers to the answer to question C17.

19. Why can't senior citizens qualify for a loan when they go on pension?

This is a question that has to be answered by the banks or other financial institutions.

20. Can I have a projection of the annual pension over the next 10 years with or without the age increase?

This will be demonstrated in a presentation based on a few samples of the population.

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21. What is the annual revenue generated by the Dutch pension fund in the Netherlands?

The average premium level in the Dutch pension funds is around 25% of the pension base.

22. When the pension age was raised in 2016, that was transitional, and the initial proposal was to increase it to 65, is this correct?

This was the increase of the AOV. The SER actually proposed an increase to 65. Since Government initially wanted an increase to 62, their advice was to do so soon after that initial increase.

As a result of the increase of the AOV to 62, the Civil Servants pension age was also increased to 62 soon after. This time it is the Civil Servants pension leading the increase to 65. Legislation to increase the AOV age to 65 is also being drafted.

23. What is the retirement age in Aruba, Curacao, Bonaire, Saba, Statia, Anguilla, St. Kitts and in the region?

Curacao: 65 years

Aruba: gradual increase to 65 years

Bonaire, Saba and Statia: 65 years

Anguilla: 60 years

St. Kitts: 65 years

Nevis: 65 years

Jamaica: 65 years

24. At what point are we not going to increase the pension age anymore and find and seek other solutions in order for those pension funds to generate a decent income to sustain the pension age? What will the impact be if these increases are not made?

This will put pressure on the sustainability of the pension scheme. The costs related to the accrual of pension will continue to increase which will result in a decrease in the coverage ratio of the fund. This also entails more pressure on the finances of the Government of Sint Maarten.

25. Please focus in on the people and the civil servants in our next session. What does it do for the persons involved?

This question was addressed by the presentation at the beginning of this session.

26. Have we made any progress on the preparations or the studies pertaining to a general pension scheme?

There was a macro-economic study done on general pension reform, however the report is not yet available.

27. The effects of this change on other laws. When and how will they be adjusted when this law is changed? How can these laws be automatically adjusted?

The pension age for Parliamentarians is still 60. They have their own pension law, separate from this one. So far, there has not been any initiative from the minister of Finance, who is responsible for that law, or an initiative of one (or more) member(s) of parliament, to amend that law as well.

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28. It is important to look at the numbers of the persons requesting to be allowed to continue beyond their pension age.

As we explained before since January 2017, we have a policy not to extend employment after 62, unless Government asks for that. This has greatly influenced these requests. We are still awaiting figures for all other ministries but for General Affairs there were only 4 requests for the entire year of 2018. If we take AZ as a sample, we can conclude there are not many requests anymore.

29. The faction is of the opinion that some type of functional review would be suitable for Governments own information. The fact remains that right now there are many positions within government to be filled. How can we with the limited resources we have that we can find some way to build our Human Resources? The faction would like the Government to think of a way to enlighten the population and the civil servants, also in addition to what the union has done and will be doing.

A communication plan has been made. It consists of letters, presentations and an online video.

B. The Sint Maarten Christian Party-faction has taken note of the draft and is of the opinion that this is something that we have to do at this point.

1. The faction would like to know what is the average pension payout for civil servants?

The answer to this question is not straightforward and could not be answered by the Pension Fund alone, due to the fact that the living condition/situation for each pensioner can vary. The average pension payment from APS is ANG 1950 per month (gross). The lowest pension payment amount is ANG 33.25 per month and the highest is ANG 10,928.00 per month. The minimum wage is set at ANG 1369 per month (gross). The average pension payment is higher than the minimum wage. In addition to the pension entitlements from APS, a pensioner can also be entitled to the AOV from SZV. The AOV is based on the years a person has been registered/living on the island. This amount will be calculated (pro rata) based on the years that the person lived on the island (based on the full amount of 45 years). Based on the information we received about 2 years ago, the average payout from SZV is approximately ANG 650.00 per month (gross) in comparison to the full amount of ANG 1086.00 per month (gross).

2. Can we get a breakdown of the APS participants based on age brackets?

The breakdown is as follows:

Participants database	
Age	Amount
20-30	323
31-40	746
41-50	820
51-65	755

3. Why have the widows and ex-spouse pension been removed?

Widows are not excluded, only ex-spouses are excluded from receiving a widows pension. Most participants find it odd that ex-spouses would be entitled to a part of the widows-pension once the participants dies. The general feeling is that once spouses divorce, the complete division of assets should be regulated in the divorce settlement. It was an explicit wish from the unions to exclude ex-spouses. Of

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course already accrued widows pension prior to this change will stay. Present participants will not accrue any further and future participants will not accrue any.

4. The premium that Government pays will go down from 25% to 18%. The faction believes that this is being done because the age is being increased. However, the faction would like to know if there are any other factors factored into that? Is it that Government can't afford to pay the 25% that it is then being reduced to 18%?

Government had difficulty paying the present premiums and had fallen behind in payments. The burden was just too high. At the start of the pension-reform-project all stakeholders were asked to list their main interest in the outcome of the project. In this phase government made it clear that a total premium of 25% was not feasible for them, 18% was.

5. Before 1998 civil servants were not mandated to be part of a pension fund. In listening to the average payout of APS, does that factor into what persons get a pension?

This can be a reason for a lower payout of pension. If a person was working prior to 1998, but not registered, those years will not count for the accrual of pension. It does not affect the average directly. One accrues 2% per year up to a maximum of 74% (present system) which will take 37 years to reach to a full pension. Less years result in a lower percentage.

6. What are the consequences of not having this law?

This will put pressure on the sustainability of the pension scheme. The costs related to the accrual of pension will continue to increase which will result in a decrease in the coverage ratio of the fund. This also entails more pressure on the finances of the Government of Sint Maarten.

7. The faction believes that it is imperative for the Government to start to educate people in general as to the value of having a pension.

We agree that Government has a role to play in educating the people about the value of having a pension. We will take this advice seriously into consideration.

C. The National Alliance-faction has taken note of the draft national ordinance.

1. The faction indicates that the indexing of Government salary scales have a direct impact on the pension that one can receive. When is the last time that Government indexed the salary scales? Will the scales be indexed retroactively?

The last time salaries were indexed was in 2012. The way indexation is done since 2010 is different from the time before. Government no longer pays a one-time lump sum but increases the salary-amounts in the table. This is generally not done retroactively but takes place as of a future date.

2. How will the proposed changes to the calculation of the pension impact employees in the lower income brackets?

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People who do not make real career-advancements may actually benefit from the changes because they can accrue more pension years while their average pay is close to their end pay. For the rest they pay the same pension premiums.

3. Will Government cover the AOV premiums for those civil servants who decide to use the VIJT regulation?

No, no provision was / is made in the law to exempt these workers from paying AOV premiums.

4. What is the current funding ratio of APS?

At the moment the coverage ratio is at 103%.

5. Will APS be able to cover their pension liabilities in the coming 5 to 10 years as Government has been non-compliant in its payments to APS?

Yes.

6. With the removal of the ex-partner entitlement of widowers pension, what will happen to the accrued pension of the ex-partner?

The accrued pension will stay for the ex-partner.

7. What will happen to the accumulated benefit of the civil servant when he/she passes away just before pension age or just after attaining pension age? Where will those benefits go? Who will get that money if they do not have any children?

The definition: ex-partners are the partners through divorce. The ex-partners that were divorced before the implementation of the reform will be entitled to the accrued ex-widower's pension. The ex-partners that got divorced after the implementation will only be entitled to the ex-widower's pension accrued prior to the divorce.

8. Has the workgroup thought of other alternatives where civil servants can have another income, where that income is less complicated and more accessible after attaining the pension age?

There is a general division in pension plans between 'defined benefits' (which regulates what the participant will get as a pension) and 'defined contribution' (which only regulates what the participant contributes). In the latter, participants do not know what they will get, since this depends on the return on investments. We assume this is what the question is referring to.

Our plan is a 'defined benefit' plan. The possibility of a choice for a 'defined contribution plan' was only mentioned one time. Since 6 of the 8 participants in the workgroup immediately turned it down it wasn't considered again.

9. How does APS feel to make a return on their investment from a hospital that is not geared toward making a profit?

Every investment that APS contemplates must go through a stringent financial and legal due diligence process, which includes a risk analysis. APS' analysis of the SMMC investment was done based on the post hurricane Irma situation and the SMMC Facility Agreement was signed in February 2018. APS has

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continued to monitor the developments surrounding the SMMC. APS believes that the New General Hospital is a viable investment and does not see any reason to discontinue the investment at this point.

10. The faction understands the needs for a sustainable pension fund. The faction would like to know what is meant with ex-spouses.

The definition: ex-partners/ex-spouses are the partners through divorce.

11. What is their current benefit now? What percentage of people falls within this category and what does this amount to exactly? What kind of savings is being made here?

The ex-spouses that were divorced before the implementation of the reform will be entitled to the accrued ex-widower's pension. The ex-spouses that got divorced after the implementation will not be entitled to the ex-widower's pension. The percentage of ex-spouses that are entitled to ex-widower's pension is 1,6% from the total database. This accrued pension will stay until the participant passes. The accrued pension was calculated at the moment of divorce. The savings for APS on the ex-spouses cannot be calculated due to the fact that divorces cannot be predicted.

12. What is the union's position on the change from end pay to average pay? What, from a workers perspective, is positive about this change?

WICSU/PSU's responded to Parliaments questions regarding the new pension system by letter:

- a. *Did the unions get the support of their members? Are they in agreement?*

The WICSU/PSU Union represents 300 plus civil servants and was unable to approach or have a discussion with all. Instead, the Union was able to host several focus group discussions with civil servants in order to obtain their views regarding the new pension system.

- b. *What is the union's position on the change? On end pay to average pay?*

The Union supports the average pay (middle loon) system in order to safeguard the financial situation of the Pension fund.

- c. *The WICSU/PSU Union conducted several focus group discussions with civil servants: 1) nearing retirement; 2) missed the "overgangsregeling"; 3) that recently entered into service. The Union learned that:*

- 1. Civil Servants who missed the "overgangsregeling" had mixed feelings about the increase in the retirement age. For instance, older persons with mortgages and those that did not properly prepare for retirement recognized the need to work longer.*
- 2. Civil servants who initially wanted to retire at 62 will be penalized and therefore opted to remain in service. In contrast, others indicated that they intend to leave at 62, regardless if the actual retirement age increases to 65.*
- 3. Younger persons thought that the retirement age of 65 is "too far away". They were of the opinion that the retirement age should be 60.*
- 4. Others were unsure if they will remain in service as the salaries are "too low".*

- d. *What in the worker's perspective benefits this person?*

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There are several benefits that are to be found in the new pension ordinance. For example:

- *Civil Servants that built up their pension years (30 years) but did not reach the pension age have the opportunity to build up more pension.*
- *All active persons in the pension fund automatically receives a 10% increase on the pension which has been build up;*
- *There isn't any minimum age limit anymore i.e. a person can begin to build up their pension upon entering service.*
- *A civil servant, who remains in government service until the age of 65, has the possibility to receive a pension equal of 100% of pay in average system.*
- *A civil servant who is in the old pension system and has built up their maximum pension (in the old pension) will continue to build their pension in the new system. The difference in the AOV, in the previous system and new pension system will be paid to the civil servant as a lump sum one-time payment upon reaching the age of 65.*
- *The orphan pension the age limit was raised to 27, up from 18, providing the person is a full time student.*

13. What option is there for those who got the option to retire at 60 or 62 despite the change of this law?

That option is not in the new legislation. The participants that fall in the transitional arrangement of the age change from 60 to 62 keep that option. The new law does not apply to them. If they want the new law to apply to them they will have to request this.

14. The VUT, the cut in pension is it something they agree to ahead of time before applying for it? Is it actually in use now? And will it be applicable once the new law is put into effect?

VUT still exists, but there are strict criteria. Only 17 of all participants in the fund met these criteria according to an analysis done by APS in 2016. VUT remains possible in the new system based on the same criteria as the current legislation with the payment of VUT until the age of 60 years.

15. And when one takes early retirement, what is then the proposal? What do they get to choose from?

Participants can retire as of 62, not before (with the exception of those that still qualify for VUT).

16. How does this law affect civil servants that are out sick or working half days? Will those type of civil servants be asked to take early retirement?

People who work part time by their own choice accrue a pension proportionally to that. People who work 50% due to illness accrue pension proportionally to their full income. We assume productivity is proportionally to their working hours. No actual studies have been done about this.

17. By extending the age of retirement aren't we exacerbating the number of unemployed as youth unemployment is already the highest in the land? More and more professionals find it difficult to find work in their area of study. If our civil service is graying and we continue to perpetuate, how can we expect the innovations that we need right now in this country, that is supposed to be growing? How much is this steadily increasing pension age regulation influencing youth unemployment and brain drain?

We can't really say. There are many factors affecting youth unemployment. The only thing we can predict is that the next three years fewer positions will become vacant in government as a result of retirement.

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How that will effect youth unemployment is unclear. How, or if this in any way relates to brain drain is not known.

18. What were some of the effects on the workers and pensioners as well as Government in the Caribbean parts of the Kingdom, with the change? Positive and negative.

General positive effects on all islands:

- *A more durable pension system for workers and pensioners to safe guard their pensions.*
- *A better coverage ratio and agreed upon mechanisms to maintain a healthy coverage ratio.*
- *Payment of a lower premium by government.*
- *Workers that need to pay off mortgages can work for a longer period to do so.*
- *If pension reform is executed along with the increase in the pension age, this offers possibilities to address wider impacting issues than only solvency of the pension fund by increasing the pension age.*
- *Pension reform can be in the interest of the workers that are paying into the fund as they can effect legislative changes needed through their union representatives.*

General negative effects:

- *The fact that globally the pension age keeps increasing to keep pension funds healthy due to insufficient coverage ratio. No end is in sight for age increases and the solution to keep pension funds solvent.*
- *Pension funds are moving to an average pension build up over a working period and this system has less financial build up for the workers and translates into less pension for pensioners.*
- *Workers with health issues are sometimes not able to work till the retirement age.*
- *More often workers with physically demanding jobs would have to change tasks/jobs or retire early and this can come with drawbacks.*
- *Only the pension age is increased and comprehensive pension reform to address continued solvency of the fund over a longer period is not addressed.*
- *Pension reform is not initiated to bring about positive and desired change for the workers and pensioners.*

19. The faction would like to know if the Prime Minister had a discussion with the Minister of Finance concerning how Government is going to pay back APS and when? How were these discussions? Were there any viable concrete solutions coming out of these discussions, especially seeing that we are now dealing with budget deficits for a projected amount of years? Did he indicate a timeline?

Government is discussing the settlement with APS and aims in coming to a new payment arrangement before the end of this year

20. Is this law based on our social life expectancy or the islands in the Dutch Caribbean or the Netherlands? And if it was based on the local life expectancy, where did this data come from?

The mortality table from APS is based on mortality experiences in the Dutch Caribbean (Curacao and Sint Maarten). As the life expectancy is lower in the Dutch Caribbean than in the Netherlands an older Dutch mortality table is used. Furthermore in the annual reports from APS the result on mortality is measured on a yearly basis. If there is a structural negative result on mortality, the mortality table can be updated.

21. The faction would like to know based on current data, when do we see the retirement age increasing again, and at what age would that be?

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In 2016 the pension age of the AOV was increased from 60 to 62. In the new pension reform the pension age will increase from 62 to 65. As this is a relatively large increase in a short period of time we see no reason to increase the pension age further in the near future.

For your information, in the Netherlands the pension age of the state pension (AOW) will increase gradually to 67 years in 2021. After 2021 the pension age will increase in line with the life expectancy. This is however still under discussion. As the life expectancy in the Netherlands is higher than in Sint Maarten, this is also a reason why we see no reason to increase the pension age further than 65 in the near future.

22. If we were to change the ratio to allow APS to invest more out of Sint Maarten and it increases by 10%, would this then be an opportunity to slow down the increasing of the retirement age? What actions can APS take outside of increasing the retirement age?

It can have a positive effect in the sense that the fund is in a better financial status and thus for a longer period sustainable. The reality is that investments can fluctuate, and a pension fund can not only rely on investments for sustainability. Because of the fact that the pension reform is based on also other elements (of a formula) such as premiums, longevity, costs, affordability and the pension scheme this scenario will have a short-term impact.

23. If a civil servant is entitled to an increment, but it only goes in to effect 3 years from now, will their pension be calculated retroactively?

If retroactive changes are made to the income of a Public Servant, this can affect the calculation of the pension. However, this is not always the case. For instance in the present system the 'eindloon' is calculated as the average pay of the last 2 years prior to the year of retirement.

24. What is the concrete plan in terms of paying up our debts?

The answer was at question C19.

25. The faction would like more clarity on the possibilities for change pertaining to the orphans and widows pension. What are the possibilities to make future changes to the disability pension?

Changes could be made to the duration and calculation of the height of the payments. Government and GOA will have to agree on such changes.

26. Per union what are their views on this draft law and do they see it as a benefit for our civil servants?

See answers to question C12.

27. We have a lot of civil servants that are waiting for the right scale and payouts. How do they fit into this law change? Have their concerns been taken into consideration in terms of the deadline for this law to be established?

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See the answer to question C23.

28. Did the unions get the support from their members for this proposed change? Are the members in agreement to this proposed change?

See the answer to question C12.

29. What are the criteria to buy in years?

The criteria are listed in article 84.

30. How do our salary scales compare to other parts of the Kingdom?

The last comparative research about the whole remuneration package was done in 2006. That was part of the research leading up to the overhaul of the remuneration policy in 2008. No research has been done since.

31. Is it possible to make the law optional for civil servants to decide if they want to go home at 62 or not?

Participants can retire as of 62 as is regulated in articles 12 and 27. However, when retiring early one will receive a lower pension.

32. Is it clear how many persons and how many jobs will not be available with this change in the next 3 years? It was indicated that certainly within 3 years fewer jobs will turn over. Doesn't Government see this as a serious issue in terms of providing necessary employment for the younger generation?

See also the answer on question D11

	1/1/2019	1/1/2020	1/1/2021	1/1/2022	1/1/2023	1/1/2024	1/1/2025
Nr. actives turning 62	0	83	71	57	74	90	81

33. How much check is being made on the type of investments being made? Are we looking at improving the solvency through better investments? Have we seen an increase in better investment over the past few years and can that then be an indication as to not only going towards the civil servants to work longer?

Every investment that APS contemplates must go through a stringent financial and legal due diligence process, which includes a risk analysis. APS monitors all local and international investments on a monthly basis. The portfolio is widely diversified, and structured in a way that protects against the downside risk. When necessary APS will reallocate funds within the portfolio based on risk assessments, however, APS is

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a long-term investor and, therefore, has a long-term view on uncertainties in the local and international market. APS has seen more investment projects but do not qualify/fit within the profile of the fund.

34. Are persons, who are willing and now being forced, able to work longer? Can Government not ascertain from its civil service how many persons currently are working below the 100% level? Is Government doing its due diligence in dealing with the regulations as it pertains to those type of workers? What other options for jobs within the organization are available for cleaners when they cannot clean anymore?

Not all people can work longer, however, this is due to health issues and not primarily an age. There are also people in the present system that are not able to work. Some temporary and some permanently. Those employees that are permanently unfit to work may be eligible for a disability pension.

35. What is the reason that no other areas have been addressed to continue to find solutions to the solvency of the fund? What are the possibilities for getting more data and information before we have to take a vote on this that we can get a better and clearer picture as to the real impacts on society by this second rise of the pension age within the past 2 years?

Increasing the age to 65 years is not the only solution. It is part of the total solution for a sustainable system. The pension reform is based on also other elements (of a formula) such as premiums, longevity, costs, affordability, return on investments and the type of pension scheme.

36. What was the input from the different unions?

The 4 unions participated in the workgroup that negotiated the covenant.

37. Yes, people are still living longer, but are they healthy? We are increasing the pension from 62 to 65, but that doesn't mean that the individual that are working are in the best state to continue to work. The faction would like to see an option within the law that allows the members that are 62 or making 62 in the next year to have an option to opt out at 62, 63, 64 or 65. Is this a possibility? Is there a plan to tackle the increase in pension age with the learning curve technology and innovation? Has Government looked into these areas also?

The option to retire as of 62 is in this law.

38. Will this law affect the workers of the Post Office? Will their pension age be raised to 65 as well? If yes, what will happen to those that were laid off? How will this influence their pension? Are they working in the meanwhile? What will happen to their years of service that they put into the Post Office? Will this be transferred into the civil service or will they get a payout and then it starts over fresh as a new job? What will happen with their years?

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- *Do workers of the post office also pay into the APS Fund? NO, currently no workers whether active or redundant are paying into the APS pension fund. The employees have paid into either the APNA or Guardian Group.*
- *If yes, what will happen to those that were recently laid off? The response was NO.*
- *How would this influence their pension? For those that have paid into APNA or Guardian Group, upon reaching their pension age, they will come into consideration for payment as it relates to the terms of their respective pension policies.*
- *Will the post office workers be placed in the civil service? I think MP Doran means the redundant staff. Government and the redundant staff agreed that the staff will send a letter/petition to government applying for a job at government. Government will handle their letter/petition as an internal job application.*
- *What happens to their post office years of service? Their years of service will be paid by PSS.*
- *How will Government handle this matter? This matter will be handle according to an advice of the SOAB.*
- *Will their years of service be lost? No.*
- *Will their years of service be taken over by Government? No because their years of service will be paid by PSS.*

39. How many civil servants were part of the focus group mentioned and was this a proper sample size to have the accurate sentiments of the civil servants?

Government can not answer this question, only WICSU/PSU can.

D. The United St. Maarten Party-faction has taken note of the draft with interest.

1. The faction notes that the concept of pension itself has seen challenges around the world. This has also been presented in the presentation today. The faction would like to know, looking at the law and the explanatory notes, there is a lot of calculations, what is the macroeconomic potential of people working an extra three years?

No, such analysis has not been done.

2. Have we looked at any sort of social; economic issues that may arise? Is this going to create fewer opportunities for young people to enter the civil service?

The coming 3 years fewer positions will become vacant in government as a result of these changes.

3. Have we also looked at, throughout that transition period from 62 to 65, is there any sort of understudy or planning being done for a transition in that person's position within the civil service? Are we looking at an understudy system that will make for a smooth transition?

There has not been a general program like that. In some cases people maybe be prepped to take on a specific position once it becomes vacant. Having an understudy program for such a duration will be very costly.

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4. What are we doing about the uncertainties in investments?

APS monitors all local and international investments on a monthly basis. The portfolio is widely diversified and structured in a way that protects against the downside risk. When necessary APS will reallocate funds within the portfolio based on risk assessments, however, APS is a long-term investor and, therefore, has a long-term view on uncertainties in the local and international market. We believe that our methods are adequate.

5. Do we have any sort of plans to prevent the Government from falling behind in payments in the future?

See answer to question C19

6. Does anything in this law result in a more realistic livable pension? We need a clear idea of what people are being paid as a pension, how this is being calculated. Would the faction like a range of the lowest pension in Government and the highest pension being received?

The answer to this question is not straightforward and could not be answered by the Pension Fund alone, due to the fact that the living condition/situation for each pensioner can vary.

The average pension payment from APS is ANG 1950 per month (gross). The lowest pension payment amount is ANG 33.25 per month and the highest is ANG 10,928.00 per month. The minimum wage is set at ANG 1369 per month (gross). The average pension payment is higher than the minimum wage. In addition to the pension entitlements from APS, a pensioner can also be entitled to the AOV from SZV. The AOV is based on the years a person has been registered/living on the island. This amount will be calculated (pro rata) based on the years that the person lived on the island (based on the full amount of 45 years). Based on the information we received about 2 years ago, the average payout from SZV is approximately ANG 650.00 per month (gross) in comparison to the full amount of ANG 1086.00 per month (gross).

The total average amount a pensioner is receiving is therefore ANG 2600 per month (gross).

The accrual of pension is based on the salary and the years of service by the employer that is affiliated with the Fund. These years are not linked with the minimum wage. The mandatory aspect tackles this problem for a small part in the sense that there is an accrual of pension. Every employer should have some type of pension plan whereby the total cumulative amount of pension (based on the different years by the different relevant employers) should be higher than the minimum wage.

7. How is it possible that someone who is retired is collecting a pension and that the pension is below the minimum wage? Does this law address any of these particular issues?

The pension amount also depends on the number of years one has contributed towards one pension.

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8. The situation of the levels of the premiums. The lowest pension amount is at Naf. 33, 25. The highest been 10.928,00. We need to see a better idea of what the lowest 100 earn, what the median 300 earns and what the top 100 earns. That would give us a more realistic picture of what is really happening with a pension.

<i>Naf/per month (gross)</i>	
Average 100 highest pension	5801.13
Average 100 lowest pension	325.69

9. People on the lowest end of the scales of Government, which represent a substantial number of workers between scale 2 and scale 5, what is their pensions project to be based on 5 years, 10 years, and 15 years of service?

Based on the current scheme and legislation:

Estimate based on no salary increase and no franchise increase.

Annual pension (gross):

	<i>5 years</i>	<i>10 years</i>	<i>15 years</i>
<i>salary scale 2</i>	909	1,815	2,721
<i>salary scale 3</i>	1,308	2,613	3,921
<i>salary scale 4</i>	1,755	3,507	5,262
<i>salary scale 5</i>	2,256	4,509	6,762

10. Can we get an insight and an idea of what the discussions are looking like pertaining to the settling of the debt that the Government has?

There is discussion with APS about the settlement of late payments. The discussion includes both the level of the backlog and the way of payment and the rate at which it is paid. Given the excess liquidity of the fund, there is no high urgency for payment, however, the instruction of the RmR (from 2015) should be settled in the foreseeable period. In the end it will probably be partially paid in liquidity and perhaps partly in the form of transfer of ownership.

11. Do the Prime Minister and her team believe that there are no socioeconomic impacts as a result of reforming the pension system of the largest employer in this country? Do we believe that there are no socioeconomic impacts? If the answer is no, then please explain why you believe that? And if the answer is yes, what would be the reasons for not doing any form of analysis, for example consulting the SER or even doing an independent study, as to what the potential socioeconomic impacts can be?

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The reason no such impact study was done is threefold:

- a) It is not required. Government is acting here as employer. This pension scheme is about one of the benefits regulated by law into the legal position of civil servants. It is not the pension for the general public, so it is not SER that needs to be consulted but GOA. By law, Government needs to have an agreement with GOA.*
- b) It would not have made any difference. Seeing the urgent need to reform this pension scheme, the changes needed to come about, regardless the results of any socio-economic impact study. Government must have an agreement with GOA.*
- c) The impact is not very big. On average about 80 civil servants will reach pension age (62) each year. Moving that age to 65 now, with a possibility to retire as of 62, will have as maximum result that for a period of three years these jobs will not become vacant. After that it will continue again at the same rate. For the people holding those jobs it means they have the opportunity to work longer (have an additional income) and accrue a higher pension for when they do retire.*

12. When was the answer from the APS received pertaining to APS believing that the investment by APS in the hospital is a viable one? Is this an up to date answer? Can we get a little bit more solution-oriented pertaining to raising the age?

The recent potential issue with the main contractor has the attention of APS and the required due diligence review is ongoing.

13. Does the local pensioner get rent subsidy? Does the local pensioner get guaranteed study financing for tertiary education as long as their child is a citizen? Are all the roads up to date? Is there a good transportation infrastructure? Do our civil servants get free transportation cards upon hitting the retirement age? Are pensioners in Sint Maarten entitled and eligible for social housing specifically for retirees and pensioners? We have to look at Sint Maarten's realistic situation and base the law and the amendments to the law on that and that alone.

Yes, comparisons are made with the Netherlands, Curacao, Aruba and the BES. Reason for this is we have very similar pension systems. The Dutch pension system was recently listed as the best in the world. Ultimo there are only a few basic variables in any pension system.

- a) Defined benefit versus defined contribution. This is the most fundamental choice. Since the choice was made for defined benefit, there are also limited variables one can use:*
- b) End wage, or average wage.*
- c) Accrual percentage per year.*
- d) Entrance and retirement age.*
- e) Premiums.*

It is only natural to look at what others have done, especially those with the same basic system and the same problem. It does not mean you have to do exactly the same thing, and we did not.

14. The referral in the answers to a study that was done. Is it possible to get access to the overall study, as Members of Parliament, to see how the unions came to the conclusions that they did?

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This is an internal matter from the WICSU. While Government needs to negotiate with GOA, the workgroup members of the unions need to consult with their boards and ultimately with their membership. We do not have insight on how they have done that. We can relay the question and ask if they are willing to provide this information.

15. Can we get summarized information of how the average pay really works, perhaps by presenting a few scenarios? What is the difference between the current system and moving to an average pay/ middle loan system? What is the impact of the average pay?

Parliament will be provided with examples


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