

# ***Social Security Board***

***Financial Statements for the Years  
Ended December 2019 and 2018 and  
Independent Auditors' Report***

# **SOCIAL SECURITY BOARD**

## **TABLE OF CONTENTS**

---

	<u>Page</u>
INDEPENDENT AUDITORS' REPORT	1 - 2
FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018:	
Statements of financial position	3
Statements of profit	4
Statements of other comprehensive income	5
Statements of changes in reserves	6 - 7
Statements of cash flows	8
Notes to financial statements	9 - 44
Auditors' Report on supplementary financial information	
Statements of income and expenditures:	
Short term benefits branch	46
Long term benefits branch	47
Employment injury benefits branch	48
Disablement and death benefits branch	49
National health insurance fund	50
Investments listing	51 - 57



## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors:  
Social Security Board

### Opinion

We have audited the financial statements of Social Security Board, which comprise the statements of financial position as at December 31, 2019 and 2018, and the statements of profit, statement of other comprehensive income, statements of changes in reserves and statements of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Social Security Board as at December 31, 2019 and 2018, and of its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRSs), and requirement of the Financial and Accounting Regulations of the Social Security Act, Chapter 44, Revised Edition 2000-2003.

### Basis for Opinion

We conducted our audits in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of Social Security Board in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing Social Security Board's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Social Security Board or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the financial reporting process of Social Security Board.

**hlb.bz**

**Partners:** Claude Burrell, CPA, CISA | Giacomo Sanchez, CPA

40 Central American Blvd | Belize City | Belize C.A.

**TEL:** +501 227 3020 **EMAIL:** [info@hlab.bz](mailto:info@hlab.bz)

HLB Belize, LLP is a member of HLB International, the global advisory and accounting network

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error; to design and perform audit procedures responsive to those risks; and to obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identified during the audit.



**Chartered Accountants  
Belize City, Belize  
August 11, 2020**

# SOCIAL SECURITY BOARD

## STATEMENTS OF FINANCIAL POSITION

**AS AT DECEMBER 31, 2019 AND 2018 (IN BELIZE DOLLARS)**

<b>ASSETS</b>	<b>Notes</b>	<b>2019</b>	<b>Restated 2018</b>	<b>Restated 2017</b>
<b>Current assets:</b>				
Cash and cash equivalents	2g. 2h. 4.	\$ 30,756,431	\$ 35,934,184	\$ 30,943,472
Short term investments	2g. 2i. 5.	19,842,446	23,988,181	27,272,010
Investment income receivable	2g. 6.	13,676,264	12,808,149	10,320,025
Office supplies	2j.	519,990	240,019	254,056
Accounts receivable	2g. 2k. 7.	5,315,394	1,469,147	1,395,773
Prepayments	2l.	301,489	417,533	429,999
Current portion loan principal receivable	2g. 10.	12,633,953	14,861,313	13,744,300
Total current assets		<u>83,045,967</u>	<u>89,718,526</u>	<u>84,359,635</u>
<b>Non-current assets:</b>				
Investment in associates	2m. 8.	191,591,233	188,622,067	190,087,782
Long term investment	2g. 9.	142,733,888	118,049,646	94,892,402
Loan principal receivable - net	2g. 10.	98,836,938	106,284,364	113,489,016
Held for sale	11.	11,066,943	11,233,205	11,268,477
Other assets	12.	1,028,400	1,050,000	1,066,800
Intangible asset	2n. 14.	1,347,706	1,558,354	1,720,678
Fixed asset - net	2o. 13.	30,135,225	26,126,476	25,225,551
Total non-current assets		<u>476,740,333</u>	<u>452,924,112</u>	<u>437,750,706</u>
<b>TOTAL ASSETS</b>		<u><b>\$ 559,786,300</b></u>	<u><b>\$ 542,642,638</b></u>	<u><b>\$ 522,110,341</b></u>
<b>LIABILITIES AND RESERVES</b>				
<b>LIABILITIES:</b>				
<b>Current liabilities:</b>				
Accounts payable and accruals	2g. 15.	\$ 9,465,022	\$ 10,315,034	\$ 10,907,343
Severance payable current portion	2p. 16.	261,817	231,685	220,084
Total current liabilities		<u>9,726,839</u>	<u>10,546,719</u>	<u>11,127,427</u>
<b>Non-current liabilities:</b>				
Pension liability	2q. 17.	930,758	990,758	293,767
Severance liability	2p. 16.	2,800,278	2,375,097	2,383,098
Total long term liabilities		<u>3,731,036</u>	<u>3,365,855</u>	<u>2,676,865</u>
Total liabilities		<u>13,457,875</u>	<u>13,912,574</u>	<u>13,804,292</u>
<b>Reserves:</b>				
Short term benefits branch		14,571,311	11,731,470	12,718,434
Long term benefits branch		427,146,485	420,915,656	415,773,180
Employment injury benefit reserve		87,755,774	78,827,367	62,404,183
Disablement and death benefits reserves	2v.	12,396,503	13,526,538	13,995,207
National health insurance fund		2,774,326	2,543,354	2,206,294
Natural disaster fund		1,801,076	1,551,076	1,301,076
Social development fund		813,708	625,361	201,442
Pension reserve	2q. 17.	(930,758)	(990,758)	(293,767)
Total reserves		<u>546,328,425</u>	<u>528,730,064</u>	<u>508,306,049</u>
<b>TOTAL LIABILITIES AND RESERVES</b>		<u><b>\$ 559,786,300</b></u>	<u><b>\$ 542,642,638</b></u>	<u><b>\$ 522,110,341</b></u>

The financial statements on page 3 to 8 were approved and authorized for issue by the Board of Directors on July 30, 2020 and are signed on its behalf by:

  
Chairman

  
Director

Restated 2018 and 2017 figures include modifications as described in Note 24.  
The notes on pages 9 to 44 are an integral part of these financial statements.

# SOCIAL SECURITY BOARD

## STATEMENTS OF PROFIT

### YEARS ENDED DECEMBER 31, 2019 AND 2018 (IN BELIZE DOLLARS)

	<u>Notes</u>	<u>2019</u>	<u>2018</u>
<b>INCOME</b>	2r.		
Contributions:			
Employers and employed persons		<u>\$ 100,180,514</u>	<u>\$ 87,043,419</u>
Other income:			
Net investment income	18.	20,880,621	20,453,617
Other income – net	19.	2,022,681	1,262,823
GOB contribution to NHI Fund	2s. 20.	17,950,001	17,600,004
Total other income		<u>40,853,303</u>	<u>39,316,444</u>
<b>TOTAL INCOME</b>		<u>141,033,817</u>	<u>126,359,863</u>
<b>EXPENDITURES</b>	2w.		
Benefits:	2u.		
Short term benefits branch		15,566,629	14,356,574
Long term benefits branch		59,987,913	54,032,583
Employment injury benefits branch		3,368,219	3,662,783
Disablement and death benefits		2,176,738	2,092,614
National Health Insurance benefits		16,706,465	16,305,209
Total benefits		<u>97,805,964</u>	<u>90,449,763</u>
Operating expenses:			
Administration	21.	23,576,733	22,028,413
Establishment	22.	1,079,374	1,084,908
Financial		356,424	260,048
Total operating expenditures		<u>25,012,531</u>	<u>23,373,369</u>
<b>TOTAL EXPENDITURES</b>		<u>122,818,495</u>	<u>113,823,132</u>
<b>EXCESS OF INCOME OVER EXPENDITURES</b>		<u>\$ 18,215,322</u>	<u>\$ 12,536,731</u>

The notes on pages 9 to 44 are an integral part of these financial statements.

# SOCIAL SECURITY BOARD

## STATEMENTS OF OTHER COMPREHENSIVE INCOME YEARS ENDED DECEMBER 31, 2019 AND 2018 (IN BELIZE DOLLARS)

	<u>Notes</u>	<u>2019</u>	<u>2018</u>
<b>EXCESS OF INCOME OVER EXPENDITURES</b>		<b>\$ 18,215,322</b>	<b>\$ 12,536,731</b>
<b>OTHER COMPREHENSIVE INCOME:</b>	2v.		
APV disablement benefits		<b>296,056</b>	599,349
APV death benefits		<b>212,662</b>	222,683
		<u><b>508,718</b></u>	<u>822,032</u>
Actuarial gain (loss) on defined benefits plan		<u><b>15,276</b></u>	<u>(575,555)</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<u><b>\$ 18,739,316</b></u>	<u><b>\$ 12,783,208</b></u>

The notes on pages 9 to 44 are an integral part of these financial statements.

# SOCIAL SECURITY BOARD

## STATEMENTS OF CHANGES IN RESERVES YEARS ENDED DECEMBER 31, 2019 AND 2018 (IN BELIZE DOLLARS)

	Short-term Benefits Branch	Long-term Benefits Branch	Employment Injury Benefits Branch	Disablement and Death Benefits Reserve	National Health Insurance Fund	Natural Disaster Fund	Social Development Assistance Account	Pension Reserve	Total
<b>Balance, December 31, 2018</b>	<b>\$ 11,731,470</b>	<b>\$420,915,656</b>	<b>\$ 78,827,367</b>	<b>\$ 13,526,538</b>	<b>\$ 2,543,354</b>	<b>\$ 1,551,076</b>	<b>\$ 625,361</b>	<b>\$ (990,758)</b>	<b>\$ 528,730,064</b>
Transfer to Social Development Assistance Account and Natural Disaster Fund	-	-	(1,579,302)	-	-	250,000	1,329,302	-	-
Social Development Assistance Fund Expenditures	-	-	-	-	-	-	(1,140,955)	-	(1,140,955)
Excess of income over expenditures / (expenditures over income)	2,839,841	6,230,829	10,507,709	(1,638,753)	230,972	-	-	44,724	18,215,322
Other Comprehensive Income	-	-	-	508,718	-	-	-	15,276	523,994
<b>Balance, December 31, 2019</b>	<b>\$ 14,571,311</b>	<b>\$427,146,485</b>	<b>\$ 87,755,774</b>	<b>\$ 12,396,503</b>	<b>\$ 2,774,326</b>	<b>\$ 1,801,076</b>	<b>\$ 813,708</b>	<b>\$ (930,758)</b>	<b>\$ 546,328,425</b>

The notes on pages 9 to 44 are an integral part of these financial statements.

Continued on Page 7



# SOCIAL SECURITY BOARD

## STATEMENTS OF CHANGES IN RESERVES YEARS ENDED DECEMBER 31, 2019 AND 2018 (IN BELIZE DOLLARS)

	Short-term Benefits Branch	Long-term Benefits Branch	Employment Injury Benefits Branch	Disablement and Death Benefits Reserve	National Health Insurance Fund	Natural Disaster Fund	Social Development Assistance Account	Pension Reserve	Total
Balance, December 31, 2017	\$ 12,835,358	\$419,595,497	\$ 62,977,882	\$ 14,123,869	\$ 2,206,294	\$ 1,301,076	\$ 201,442	\$ (293,767)	\$512,947,651
Restatement (See Note 24)	(116,924)	(3,822,317)	(573,699)	(128,662)	-	-	-	-	(4,641,602)
Restated Balance, December 31, 2017	12,718,434	415,773,180	62,404,183	13,995,207	2,206,294	1,301,076	201,442	(293,767)	508,306,049
Adjustment for the adoption of IFRS 9 (See Note 2g)	213,520	6,980,087	1,047,654	234,954	-	-	-	-	8,476,215
Restated Balance, January 1, 2018	<b>12,931,954</b>	<b>422,753,267</b>	<b>63,451,837</b>	<b>14,230,161</b>	<b>2,206,294</b>	<b>1,301,076</b>	<b>201,442</b>	<b>(293,767)</b>	<b>516,782,264</b>
Transfer to Social Development Assistance Account and Natural Disaster Fund	-	-	(1,509,327)	-	-	250,000	1,259,327	-	-
Social Development Assistance Fund Expenditures	-	-	-	-	-	-	(835,408)	-	(835,408)
Excess of income over expenditures / (expenditures over income)	(1,200,484)	(1,837,611)	16,884,857	(1,525,655)	337,060	-	-	(121,436)	12,536,731
Other Comprehensive Income	-	-	-	822,032	-	-	-	(575,555)	246,477
<b>Balance, December 31, 2018</b>	<b>\$ 11,731,470</b>	<b>\$420,915,656</b>	<b>\$ 78,827,367</b>	<b>\$ 13,526,538</b>	<b>\$ 2,543,354</b>	<b>\$ 1,551,076</b>	<b>\$ 625,361</b>	<b>\$ (990,758)</b>	<b>\$528,730,064</b>

The notes on pages 9 to 44 are an integral part of these financial statements.

# SOCIAL SECURITY BOARD

## STATEMENTS OF CASH FLOWS (CONTINUED)

### YEARS ENDED DECEMBER 31, 2019 AND 2018 (IN BELIZE DOLLARS)

	<u>2019</u>	<u>2018</u>
<b>OPERATING ACTIVITIES</b>		
Excess of income over expenditures	\$ 18,215,322	\$ 12,536,731
Adjustments to reconcile excess of income over expenditures to net cash provided by operating activities:		
Actuarial present value provision	508,718	822,032
Amortization expense	340,014	369,432
Depreciation	1,128,826	1,139,742
Interest income	(15,189,181)	(20,453,617)
(Gain) loss on disposal of fixed asset	(30,479)	14,221
Expected credit losses	762,725	766,288
Service cost of defined benefit plan	(102,424)	106,748
Severance expense	538,010	197,764
Net interest on defined benefit liability	57,700	14,688
Result from equity accounted investments	(6,454,166)	(6,159,401)
Operating loss before working capital changes	<u>(224,935)</u>	<u>(10,645,372)</u>
Net changes in working capital:		
Office supplies	(279,971)	14,037
Accounts receivable	(3,846,247)	(73,374)
Prepayments	116,044	12,466
Held for sale	166,262	35,272
Other asset	21,600	16,800
Accounts payable and accruals	(850,012)	(592,309)
Cash used in operating activities	<u>(4,897,259)</u>	<u>(11,232,480)</u>
Severance paid	(82,697)	(194,164)
Net cash used in operating activities	<u>(4,979,956)</u>	<u>(11,426,644)</u>
<b>INVESTING ACTIVITIES</b>		
Long term investments	(24,684,242)	(14,681,029)
Loan principal receivable	9,885,538	5,321,351
Short term investments	4,145,735	3,283,829
Additions to fixed assets	(5,197,214)	(2,058,412)
Increase in intangible asset	(129,366)	(207,108)
Proceeds from disposal of fixed assets	90,118	3,524
Interest received	13,347,589	17,965,493
Dividends received	3,485,000	7,625,116
Net cash provided by investing activities	<u>943,158</u>	<u>17,252,764</u>
<b>FINANCING ACTIVITIES</b>		
Disbursements from social development fund	<u>(1,140,955)</u>	<u>(835,408)</u>
Net cash used in financing activities	<u>(1,140,955)</u>	<u>(835,408)</u>
Net (decrease) increase in cash and cash equivalents	(5,177,753)	4,990,712
Cash and cash equivalents, January 1	<u>35,934,184</u>	<u>30,943,472</u>
Cash and cash equivalents, December 31	<u>\$ 30,756,431</u>	<u>\$ 35,934,184</u>

The notes on pages 9 to 44 are an integral part of these financial statements.

# SOCIAL SECURITY BOARD

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### YEARS ENDED DECEMBER 31, 2019 AND 2018 (IN BELIZE DOLLARS)

---

#### 1. STATUS

Social Security Board (Board/SSB) is a statutory body which came into existence with the enactment of the Social Security Act, Chapter 44, Laws of Belize 1980. Social Security Board was established to provide various financial benefits to insured persons residing in Belize. Funding of these benefits is provided through contributions from employers and employees and self-employed persons. The corporate headquarters is located at Bliss Parade, City of Belmopan, Belize

#### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### a. Statement of compliance

The financial statements of Social Security Board have been prepared from the records maintained in the financial accounting system of the Board, in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), while the form and content are specified in the Social Security Act, and requirements of the Financial and Accounting Regulations, Chapter 44, Revised Edition 2000 - 2003.

##### b. Basis of presentation

The financial statements have been prepared under the historical cost convention, as modified by any revaluation of financial assets and financial liabilities at fair value through profit or loss.

##### c. Functional and presentation currency

The financial statements are presented in Belize dollars, which is also the functional currency of the Social Security Board.

##### d. Use of estimates and judgements

###### **Use of estimates:**

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities; the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported period. Actual results could differ materially from those estimates.

###### **Fair value measurement:**

Management uses valuation techniques to determine the fair value of financial instruments (where active market quotes are not available) and non-financial assets. This involves developing estimates and assumptions consistent with how market participants would price the instrument. Management bases its assumptions on observable data as far as possible but this is not always available. In that case, management uses the best information available. Estimated fair values may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date.

# SOCIAL SECURITY BOARD

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### YEARS ENDED DECEMBER 31, 2019 AND 2018 (IN BELIZE DOLLARS)

---

#### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### d. Use of estimates and judgements (continued)

###### **Measurement of the expected credit loss allowances**

The measurement of the expected credit loss allowance for financial assets measured at amortised cost is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour.

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- Determining criteria for significant increase in credit risk;
- Choosing appropriate assumptions for the measurement of ECL;
- Establishing groups of similar financial assets for the purposes of measuring ECL.

###### **Actuarial valuation of defined benefit plan**

The cost of defined benefit pension plan and other post-employment medical benefits and the present value of the pension obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All valuations are made by a qualified actuary.

##### e. Change in accounting policies

The accounting policies adopted are consistent with those used in the previous financial year except that the Board has adopted the following standards, amendments and interpretations which have become effective during the year.

###### **IFRS 16 Leases**

Effective for annual reporting periods beginning on or after 1 January 2019

IFRS 16 specifies how an IFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.

The standard was adopted, however, has no current impact on the financial statements.

###### **Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)**

Effective for annual reporting periods beginning on or after 1 January 2019

Clarifies that an entity applies IFRS 9 Financial Instruments to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.

The standard was adopted, however, has no current impact on the financial statements.

# SOCIAL SECURITY BOARD

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### YEARS ENDED DECEMBER 31, 2019 AND 2018 (IN BELIZE DOLLARS)

---

#### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### e. Change in accounting policies (continued)

###### **Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)**

Effective for annual reporting periods beginning on or after 1 January 2019

The amendments in Plan Amendment, Curtailment or Settlement (Amendments to IAS 19) are:

- If a plan amendment, curtailment or settlement occurs, it is now mandatory that the current service cost and the net interest for the period after the remeasurement are determined using the assumptions used for the remeasurement.
- In addition, amendments have been included to clarify the effect of a plan amendment, curtailment or settlement on the requirements regarding the asset ceiling.

The standard was adopted, however, has no current impact on the financial statements.

###### **Standards issued but not yet effective**

*The standards and interpretations that are issued, but not yet effective, up to the end of the reporting period are disclosed below.*

###### **Definition of Material (Amendments to IAS 1 and IAS 8)**

Effective for annual reporting periods beginning on or after 1 January 2020

The amendments in Definition of Material (Amendments to IAS 1 and IAS 8) clarify the definition of 'material' and align the definition used in the Conceptual Framework and the standards.

The amendment will be adopted when it becomes effective, but is not expected to have an effect on the financial statements.

##### f. Foreign currency transactions and balances

The preparation of financial statements in conformity with IFRS requires management to exercise judgment and make estimates and assumptions that affect the reported amounts of assets and liabilities; the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported period. Actual results could differ materially from those estimates.

##### g. Financial instruments

When adopting IFRS 9 on January 1, 2018, SSB applied the transitional relief which did not restate prior periods. Differences arising from the adoption of IFRS 9 in relation to classification, measurement and impairment are recognised in retained earnings.

The adoption of IFRS 9 impacted the classification and measurement of financial assets. Assets classified as held-to-maturity (HTM) investments and loans and receivables under IAS 39 continue to be accounted for at amortised cost as they meet the held to collect business model and contractual cashflow characteristics test in IFRS 9.

The impairment of financial assets was also affected as it now applies an expected credit loss model. This affects trade receivables and investments in debt securities measured at amortised cost.

# SOCIAL SECURITY BOARD

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### YEARS ENDED DECEMBER 31, 2019 AND 2018 (IN BELIZE DOLLARS)

---

#### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### g. Financial instruments (continued)

On the date of initial application, January 1, 2018, the carrying amount for financial instruments of SSB was adjusted for the item listed below.

	December 31, 2019 (IAS 39)	IFRS 9 Adoption	January 1, 2018 (IFRS 9)
Long term investments (Shares)	\$ 15,545,813	\$ 8,476,215	\$ 24,022,028

##### **Allocation to reserves was done as follows:**

Short term benefits branch reserve	2.52%	\$ 213,520	
Long term benefits branch reserve	82.35%	\$ 6,980,087	
Employments injury benefits reserve	12.36%	\$ 1,047,654	
Disablement and death benefits	2.77%	\$ 234,954	
		<u>\$ 8,476,215</u>	

Section 14(2) of the Financial and Accounting Regulation, 1980 provides that income from investment of the Reserves is allocated to each branch on the basis of their respective reserves at the end of the previous financial year. Therefore the adjustment was allocated to each branch based on their respective reserves at December 31, 2017.

A financial instrument is a contract that gives rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise.

##### **Initial recognition and measurement**

##### Recognition and derecognition

Financial assets and financial liabilities are recognised when the Board becomes a party to the contractual provisions of the financial instrument. Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred.

A financial liability is derecognised when it is extinguished, discharged, cancelled, or expired. Financial assets and financial liabilities are initially measured at fair value.

##### i. *Classification and initial measurement of financial assets*

Except for those receivables that do not contain a significant financing component and are measured at the transaction price in accordance with IFRS 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

Financial assets, are classified into the following categories:

- amortised cost
- fair value through profit or loss (FVTPL)

The classification is determined by both:

- the entity's business model for managing the financial asset
- the contractual cash flow characteristics of the financial asset.

# SOCIAL SECURITY BOARD

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### YEARS ENDED DECEMBER 31, 2019 AND 2018 (IN BELIZE DOLLARS)

---

#### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### g. Financial instruments (continued)

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of receivables which is presented within lending operations expenses.

##### ii. *Subsequent measurement of financial assets*

###### **Financial assets at amortised cost**

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

- They are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows.
- The contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. SSBs cash and cash equivalents, trade and most other receivables fall into this category of financial instruments as well as bonds.

###### **Financial assets at fair value through profit or loss (FVTPL)**

Financial assets that are held within a different business model other than 'hold to collect' or 'hold to collect and sell' are categorised at fair value through profit and loss. Further, irrespective of business model financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVTPL.

The category also contains an equity investment. The Board accounts for the equity investments at FVTPL and did not make the irrevocable election to account for the investment in Atlantic Bank Limited (ABL), Citrus Products of Belize Limited (CPBL) and Belize Water Services Ltd. (BWSL) at fair value through other comprehensive income (FVOCI).

Assets in this category are measured at fair value with gains or losses recognised in profit or loss.

The fair values of financial assets in this category are determined by using a valuation technique where no active market exists.

##### iii. *Impairment of financial assets*

IFRS 9's impairment requirements use more forward-looking information to recognise expected credit losses -- the 'expected credit loss (ECL) model'. Instruments within the scope of the new requirements included loans and other debt-type financial assets measured at amortised cost and FVOCI, trade receivables.

# SOCIAL SECURITY BOARD

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### YEARS ENDED DECEMBER 31, 2019 AND 2018 (IN BELIZE DOLLARS)

---

#### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### g. Financial instruments (continued)

Recognition of credit losses is no longer dependent on the Board first identifying a credit loss event. Instead the Board considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1) and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2)
- Stage 3' would cover financial assets that have objective evidence of impairment at the reporting date.
- 12-month expected credit losses' are recognised for the first category while 'lifetime expected credit losses' are recognised for the second category.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

##### Definition of default and credit-impaired assets

The SSB defines a financial instrument as in default, when it meets one or more of the following criteria:

- The borrower is more than 90 days past due on its contractual payments
- The borrower is in long-term forbearance
- The borrower is deceased
- It is becoming probable that the borrower will enter bankruptcy

This criteria has been applied to all financial instruments held by the SSB and are consistent with the definition of default used for internal risk management purposes. The default definition has been applied consistently to model the Probability of Default, Exposure at Default, and Loss given Default throughout the SSB's expected loss calculations.



# SOCIAL SECURITY BOARD

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### YEARS ENDED DECEMBER 31, 2019 AND 2018 (IN BELIZE DOLLARS)

---

#### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### g. Financial instruments (continued)

##### Measuring ECL- Explanation of inputs, assumptions and estimation techniques

The Expected Credit Loss (ECL) is measured on either a 12-month or lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired. ECL are the discounted product of the Probability of Default (PD), Exposure at Default (EAD), and Loss Given Default (LGD), defined as follows:

- The PD represents the likelihood of a borrower defaulting on its financial obligation, either over the next 12 months, or over the remaining lifetime of the obligation.
- EAD is based on the amounts the SSB expects to be owed at the time of default, over the next 12 months or over the remaining lifetime.
- LGD represents the SSB's expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparty, type and seniority of claim and availability of collateral or other credit support. LGD is expressed as a percentage loss per unit of exposure at the time of default (EAD). LGD is calculated on a 12-month or lifetime basis.

##### Trade and other receivables and contract assets

The Board makes use of a simplified approach in accounting for trade and other receivables and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument.

In calculating, the Board uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix.

The Board assess impairment of Accounts receivables on a collective basis as they possess shared credit risk characteristics they have been grouped based on the days past due.

##### iv. *Classification and measurement of financial liabilities*

As the accounting for financial liabilities remains largely the same under IFRS 9 compared to IAS 39, the Board's financial liabilities were not impacted by the adoption of IFRS 9. However, for completeness, the accounting policy is disclosed below.

The SSB's financial liabilities include accounts payables and severance payables. Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the SSB designated a financial liability at fair value through profit or loss. Subsequently, financial liabilities are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial.

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within Interest on borrowing expenses or finance income.

A financial instrument is a contract that gives rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise.

# SOCIAL SECURITY BOARD

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### YEARS ENDED DECEMBER 31, 2019 AND 2018 (IN BELIZE DOLLARS)

---

#### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

h. Cash and cash equivalents

Cash and cash equivalents represent cash on hand, bank deposits and short term highly liquid investments with original maturity of three months or less.

i. Short term investments

Short term investments represent term deposits, Government of Belize (GOB) Treasury notes and any other investment with original maturity dates of more than three months but less than one year.

j. Office supplies

Office supplies are stated at the lower of cost and net realizable value, cost being determined on the actual cost of the supplies.

k. Accounts receivables

Includes assessments of contributions, dividends receivable and other miscellaneous receivables recorded on the accrual basis.

l. Prepayments

Prepayments represent insurance, license, property tax and other cost paid in advance of their intended use or coverage. Prepayments are expensed in the period the service is received.

m. Investments in associates

Associates are investments in entities where SSB has the power to exercise a significant influence, but they do not have control or joint control through participation in the financial and operational decisions of the entity.

Usually the stockholding is 20% to 50% of the voting rights. Investments in associated entities are accounted for under the equity method and include goodwill identified on acquisition, net of any accumulated impairment loss. Under the equity method, the investment in the associate is carried on the statement of financial position at cost plus post acquisition changes in SSB's share of net assets of the associate. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortized nor individually tested for impairment.

The income statement reflects the Board's share of the results of operations of the associate. When there has been a change recognized directly in the equity of the associate, SSB recognizes its share of any changes and discloses this, when applicable, in the statement of changes in equity. Unrealized gains and losses resulting from transactions between SSB and the associate are eliminated to the extent of the interest in the associate. SSB's share of profit of an associate is included in the income statement as Investment income. This is the profit attributable to equity holders of the associate and, therefore, is profit after tax and non-controlling interests in the subsidiaries of the associate.

# SOCIAL SECURITY BOARD

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### YEARS ENDED DECEMBER 31, 2019 AND 2018 (IN BELIZE DOLLARS)

---

#### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### m. Investments in associates (continued)

The financial statements of the associates of SSB are prepared as follows, Belize Electricity Limited as at December 31, 2019, and Belize Telemedia Limited as at March 31, 2019. Whereby, one associate differs from SSB's reporting period. However, adjustments are made for the effects of any significant events or transactions that occurred between the date of the associate's financial statements, and SSB's financial statements. When necessary, adjustments are made to bring the accounting policies in line with those of the SSB. After application of the equity method, SSB determines whether it is necessary to recognize an additional impairment loss on its investment in its associates.

SSB determines at each reporting date, whether there is any objective evidence that the investment in each associate is impaired. If this is the case, SSB calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the amount in the 'share of profit of an associate' in the income statement. Upon loss of significant influence over the associate, SSB measures and recognizes any retaining investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognized in profit or loss.

##### n. Intangible assets

Intangible assets comprise basically the contractual rights and expenses incurred on specific projects with future economic value, are valued at cost, less accumulated amortization and losses by reducing the recoverable amount where applicable. Intangible assets are recognized only if it is likely that they will generate economic benefits to the Board, are controllable under the Board's control and their respective value can be measured reliably.

Intangible assets that have finite useful lives are amortized over their effective use or a method that reflects their economic benefits, while those with indefinite useful lives are not amortized; consequently, these assets are tested at least annually as to their recovery (impairment test).

The estimated useful life and amortization methods are reviewed at the end of each financial year and the effect of any changes in estimates are recorded in a prospective manner.

Internally generated intangible assets, during the research phase, have their expenditure recorded in expenses of the period when incurred. Expenditure on development activities (or stage of development of an internal project) is recorded as intangible assets if and only if it meets all of the requirements of the standard. Initial recognition of this asset corresponds to the sum of the expenditures incurred from when the intangible asset has passed to meet the recognition criteria required by the standard.

# SOCIAL SECURITY BOARD

## NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2019 AND 2018 (IN BELIZE DOLLARS)

---

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

n. Intangible assets (continued)

Intangible assets generated internally, are recorded at cost value less amortization and loss on the accumulated impairment. The Board's intangible assets comprise mainly of acquired software licenses. Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the income statement when the asset is derecognized.

o. Fixed assets

Fixed assets are recorded at cost and, other than land, are depreciated using the straight line method over the estimated useful life of the assets as follows :

Buildings	40 - 50 years
Furniture & fixtures	5 - 10 years
Office equipment	3 - 10 years
Computers and accessories, hardware and software	3 - 5 years
Motor vehicles	4 years
Building renovations - major	20 years

Repairs and maintenance are charged against income. Improvements which extend the useful life of the assets are capitalized. When fixed assets are disposed of by sale or are scrapped, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is reflected in income.

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement when the asset is derecognized.

p. Severance payable

Severance payable represents the accrual of salaries payable to employees in the event of their resignation or termination. SSB recognizes termination benefits in accordance with the Labour Act Chapter 297 of the Laws of Belize Revised Edition 2011.

q. Pension fund

The Board, as of January 1, 1991, operates a pension scheme which is separately administered by a Board of Trustees. The scheme, which is a defined benefit plan, is funded by contributions from the Board in amounts recommended by the actuaries, and from employees at the rate of 2.8% of annual pensionable salaries. The Board's contributions of 4.3% of pensionable salaries are charged against income in the year they become payable.

Actuarial gains and losses for the defined benefit plan is recognized in full in the period in which they occur in other comprehensive income. Such actuarial gains and losses are also immediately recognized in retained earnings and are not reclassified to profit or loss in subsequent periods.

# SOCIAL SECURITY BOARD

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### YEARS ENDED DECEMBER 31, 2019 AND 2018 (IN BELIZE DOLLARS)

---

#### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### r. Income recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Board, and the revenue can be reliably measured, regardless of when the payment is being made.

Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Board assesses its revenue arrangements against specific criteria to determine if it is acting as principal or agent. The Board has concluded that it is acting as a principal in all of its revenue arrangements. The specific recognition criteria described below must also be met before revenue is recognized.

##### i. Investment income

Investment income is accounted for on the accrual basis, except for dividends, which are recognized when received. Income from associates is accounted for by the equity method.

##### ii. Interest income

For all financial instruments measured at amortized cost and interest bearing financial assets classified as available for sale, interest income or expense is recorded using the effective interest rate (EIR), which is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income is included in Investment Income and Other income in the income statement.

##### Interest non-accrual policy

The Board does not take credit for interest income on any loan having principal or interest arrears in excess of 90 days, which loans are considered non-performing. To ensure that borrowers' accounts reflect all interest owed, interest continues to be accrued but the interest on non-performing loans is credited to a provision against loan interest receivable (see note 6) rather than to interest income.

##### iii. Dividends

Revenue is recognized when the Board's right to receive the payment is established.

##### iv. Rental income

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms and included in revenue due to its operating nature.

**SOCIAL SECURITY BOARD**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
**YEARS ENDED DECEMBER 31, 2019 AND 2018 (IN BELIZE DOLLARS)**

---

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

r. Income recognition (continued)

***Basis of apportionment of income***

(i) Contributions

Section 14(1) of the Financial and Accounting Regulations, 1980 provides that all contributions shall be distributed among the Benefits Branches in the following proportions:

	<u>2019</u>	<u>2018</u>
Short Term Benefits Branch	<b>22.50%</b>	19.25%
Long Term Benefits Branch	<b>65.00%</b>	56.25%
Employment Injury Benefits Branch	<b>12.50%</b>	24.50%

(ii) Other Income

Section 14(2) of the Financial and Accounting Regulation, 1980 provides that income from investment of the Reserves is allocated to each branch on the basis of their respective reserves at the end of the previous financial year.

Section 14(3) of the Financial and Accounting Regulations, 1980 provides that all other income to the fund which cannot be identified with any specific branch shall be distributed among the three benefit branches in equal parts.

s. Government contributions

Government contributions and support are accounted for when the Board complies with reasonable security conditions set by the government related to contributions, and assistance received. The Board records via the statement of income, as reducing spending according to the nature of the item, and through the distribution of results on statement of income, or earnings in reserve accounts.

When the grant relates to an expense item, it is recognized as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate. When the grant relates to an asset, it is recognized as deferred income and released to income in equal amounts over the expected useful life of the related asset.

When the Board receives non-monetary grants, the asset and the grant are recorded gross at nominal amounts and released to the income statement over the expected useful life and pattern of consumption of the benefit of the underlying asset by equal annual instalments .

When loans or similar assistance are provided by government or related institutions with an interest rate below the current applicable market rate, the effect of this favourable interest is regarded as additional government grants.

# SOCIAL SECURITY BOARD

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### YEARS ENDED DECEMBER 31, 2019 AND 2018 (IN BELIZE DOLLARS)

---

#### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### t. Taxes

###### *Income tax, property tax and stamp duty*

Section 64 (2) of the Social Security Act, Chapter 44, Revised Edition 2003 exempts the Board from income tax, property tax and stamp duty.

###### *General sales tax*

General Sales Tax of 12.5% is a tax on consumer spending that is collected at the point of sale of a business' good or service. SSB pays General Sales Tax as a regular consumer.

##### u. Benefit payments

- i. SSB recognizes costs associated with payments in the period the beneficiary or recipient is entitled to receive the payment.
- ii. Liabilities are accrued on benefits for past periods that have not completed processing by the close of the fiscal year, such as benefit payments due but not paid pending receipt of pertinent information.

##### v. Disablement and death benefit reserves

The Disablement and Death Benefits Reserve is made up as provided by Section 16(3) of the Financial and Accounting Regulations, 1980 by transferring thereto at the end of each financial year the balance outstanding in the current account after the actuarial present value of the periodically payable disablement and death benefits awarded in that year have been charged against income for that year in the Income and Expenditure Account of the Employment Injury Benefit Branch and credited to a current account, which is also credited with the income from the investment of the said reserve, and debited with actual payment of the current periodical disablement and death benefit effected during that year.

##### w. Basis of apportionment of expenditure

- i. Section 15(1) of the Financial and Accounting Regulation, 1980 states that the expenditures of each benefit branch shall be ascribed to that Branch under which the benefit is grouped, namely: Short Term Benefits Branch, Long Term Benefits Branch and Employment Injury Benefits Branch.
- ii. Section 15(2) of these regulations states that the administrative expenditures of the Board shall be distributed among the three benefit branches in such a manner that the proportion allocated to a particular branch shall be equal to the proportion which the sum of the contribution income and benefit expenditure shown in the Income and Expenditure Account of that branch bears to the sum of the contribution income and benefit expenditure of the Board as a whole.
- iii. Administrative expenses are taken to mean all expenses properly incurred in the administration of the Board.

All other expenditures that are not attributable to any specific branch are distributed among the three benefit branches in equal parts.

# SOCIAL SECURITY BOARD

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### YEARS ENDED DECEMBER 31, 2019 AND 2018 (IN BELIZE DOLLARS)

---

#### 3. FINANCIAL RISKS

##### *Financial risk factors*

The Board's activities expose it to a variety of risks in relation to financial instruments: market risk (interest rate risk and price risk), credit risk and liquidity risk.

The Board's overall risk management program seeks to maximize the returns derived for the level of risk to which the Board is exposed and seeks to minimize potential adverse effects on the Board's financial performance. The Board's policy allows it to use financial instruments to both moderate and create certain risk exposures.

All securities investments present a risk of loss of capital. The maximum loss of capital on purchased long term equity and debt securities is limited to the fair value of those positions.

The management of these risks is carried out by the investment manager under policies approved by the Investment Committee and Board of Directors and the General Manager of Finance. The Board has specific limits on these financial instruments to manage the overall potential exposure.

In accordance with IFRS 7, an entity shall disclose information that enables users of its financial statements to evaluate the nature and extent of risks arising from financial instruments to which the entity is exposed at the reporting date.

The Board uses different methods to measure and manage the various types of risk to which it is exposed; these methods are explained below:

##### *Market risk*

###### a. Price risk

The Board's policy is to manage price risk through diversification and selection of securities and other financial instruments within specified limits set by the Social Security Act (Chapter 44) of the Substantive Laws of Belize, the Investment Committee and the Board of Directors.

The Act also limits a single investment to be no more than 20% of the total amount of the Reserves, including economically targeted investments. The Board's policy requires that the overall market position is monitored on a weekly basis by the Board's Investment Manager and is reviewed on a quarterly basis by the Investment Committee and Board of Directors. Compliance with the Board's investment policies are reported to the Investment Committee on a monthly basis.

Interest rate risk arises from the effects of fluctuations in the prevailing levels of markets interest rates on the fair value of financial assets and liabilities and future cash flow. The Board holds fixed interest securities to maturity that expose the Board minimally to fair value interest rate risk. The Board also holds cash and cash equivalents that expose the Board to cash flow interest rate risk. The Board's policy requires the General Manager of Finance to manage this risk by measuring the mismatch of the interest rate sensitivity gap of financial assets and liabilities and calculating the average duration of the portfolio of fixed interest securities.



# SOCIAL SECURITY BOARD

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### **YEARS ENDED DECEMBER 31, 2019 AND 2018 (IN BELIZE DOLLARS)**

---

#### **3. FINANCIAL RISKS (Continued)**

##### b. Interest rate risk

The Board has direct exposure to interest rate changes on the valuation and cash flows of its interest bearing assets and liabilities. However, it may also be indirectly affected by the impact of interest rate changes on the earnings of certain companies in which the Board invests.

In accordance with the Board's policy, the Investment Manager monitors the Board's overall interest sensitivity on a weekly basis; the Investment Committee reviews it on a monthly basis.

##### c. Credit risk

The Board is exposed to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when they fall due. The main concentration to which the Board is exposed arises from the Board's investments in debt securities. The Board is also exposed to counterparty credit risk on cash and cash equivalents, amounts receivable from associates, debtors and other receivable balances.

The Board manages credit risk by holding funds with reputable financial institutions and also setting limits on the amount loaned. They ensure the loan is properly collateralized, considering the borrower's leverage and the seasonality of the business by including restrictions in the loan agreements.

In accordance with the Board's policy, the Investment Manager monitors the Board's credit position on a daily basis, and the Investment Committee reviews it on a monthly basis.

##### *Collateral*

Collateral is held to mitigate credit risk exposures and risk mitigation policies determine the eligibility of collateral types. The Board defines collateral as the assets or rights provided to the Board by the borrower or a third party in order to secure a credit facility. The Board would have the rights of secured creditor in respect of the assets/contracts offered as security for the obligations of the borrower/obligor.

The Board ensures that the underlying documentation for the collateral provides the Board appropriate rights over the collateral or other forms of credit enhancement including the right to liquidate, retain or take legal possession of it in a timely manner in the event of default by the counterparty. The Board also endeavours to keep the assets provided as security to the Board under adequate insurance during the tenor of the Board's exposure. The collateral value is monitored periodically.

##### *Types of collateral taken by the Board*

Collateral types that are eligible for risk mitigation include: cash; residential, commercial and industrial property; fixed assets such as land, plant and machinery; marketable securities; third party guarantees; and letters of credit.

# SOCIAL SECURITY BOARD

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### **YEARS ENDED DECEMBER 31, 2019 AND 2018 (IN BELIZE DOLLARS)**

---

#### **3. FINANCIAL RISKS (Continued)**

The Board determines the appropriate collateral for each facility based on the type of product and risk profile of the counterparty. In case of corporate and small and medium enterprises financing, fixed assets are generally taken as security for long tenor loans and current assets for working capital finance. For project finance, security of the assets of the borrower and assignment of the underlying project contracts is generally taken. In addition, in some cases, additional security such as pledge of shares, cash collateral, charge on receivables with an escrow arrangement and guarantees is also taken.

For personal loans, the security to be taken is defined in the investment policy for the respective types of loans. Housing loans and automobile loans are secured by the security of the property/automobile being financed. The valuation of the properties is carried out by an empaneled appraiser at the time of sanctioning the loan.

The Board extends unsecured facilities to clients for certain products such as derivatives, credit cards and personal loans. The limits with respect to unsecured facilities have been approved by the Board of Directors. The decision on the type and quantum of collateral for each transaction is taken by the credit approving authority as per the credit approval authorization approved by the Board of Directors. For facilities provided as per approved product policies (retail products, loan against shares etc.), collateral is taken in line with the policy.

For certain types of lending -typically mortgages, asset financing -the right to take charge over physical assets is significant in terms of determining appropriate pricing and recoverability in the event of default.

Collateral is reported in accordance with our risk mitigation policy, which prescribes the frequency of valuation for different collateral types, based on the level of price volatility of each type of collateral and the nature of the underlying product or risk exposure.

Where appropriate collateral values are adjusted to reflect current market conditions, its probability of recovery and the period of time to realize the collateral in the event of possession. The collateral values reported are also adjusted for the effects of over-collateralization.

#### *Loans and advances*

The requirement for collateral is not a substitute for the ability to pay, which is the primary consideration for any lending decisions. In determining the financial effect of collateral held against loans neither past due nor impaired, we have assessed the significance of the collateral held in relation to the type of lending. For loans and advances to SSB's employees and customers (including those held at fair value through profit or loss), the Board held the following amounts of collateral, adjusted where appropriate as indicated above.

# SOCIAL SECURITY BOARD

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### YEARS ENDED DECEMBER 31, 2019 AND 2018 (IN BELIZE DOLLARS)

#### 3. FINANCIAL RISKS (Continued)

##### c. Credit Risk (continued)

December 31, 2019	Consumer Loans			Commercial Loans			TOTAL		
	Value	Total	Not individually impaired loans	Individually Impaired loans	Total	Not individually impaired loans	Individually Impaired loans	Total	Not individually impaired loans
Collateral	8,201,471	7,656,339	545,132	148,459,824	145,759,824	2,700,000	156,661,295	153,416,163	3,245,132
Loans	6,689,642	6,201,797	487,845	109,092,237	108,289,295	802,942	115,781,879	114,491,092	1,290,787

  

December 31, 2018	Consumer Loans			Commercial Loans			TOTAL		
	Value	Total	Not individually impaired loans	Individually Impaired loans	Total	Not individually impaired loans	Individually Impaired loans	Total	Not individually impaired loans
Collateral	8,324,687	7,764,644	560,043	149,114,824	146,164,824	2,950,000	157,439,511	153,929,468	3,510,043
Loans	7,408,988	6,853,848	555,140	118,937,117	117,195,833	1,741,284	126,346,105	124,049,681	2,296,424

# SOCIAL SECURITY BOARD

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### YEARS ENDED DECEMBER 31, 2019 AND 2018 (IN BELIZE DOLLARS)

#### 3. FINANCIAL RISKS (Continued)

##### d. Liquidity risk

Liquidity risk is the risk that the Board may not be able to generate sufficient cash resources to settle its obligations in full as they fall due or can only do so on terms that are materially disadvantageous.

As a result, the Board may not be able to liquidate quickly its investments in these instruments at an amount close to their fair value to meet its liquidity requirements, or be able to respond to specific events such as deterioration in the creditworthiness of any particular issuer.

The Board manages its liquidity risk by maintaining an appropriate level of resources in liquid or near liquid form with staggered maturity dates, separating short term investments and long-term investments. The Board's objective is to maintain cash and marketable securities to meet its liquidity requirements for 30 to 90 day periods at a minimum. At December 31, 2019, current financial assets exceeded current financial liabilities by \$72,497,647 (2018: \$78,514,255).

In accordance with the Board's policy, the General Manager of Finance monitors the Board's liquidity position on a weekly basis, and the Investment Manager reviews it on a daily basis.

The table below analyses only the current financial assets and current financial liabilities of the Board into relevant maturity grouping based on the remaining period at the balance sheet date to the contractual maturity date.

Net liquidity gap, December 31, 2019:

	Within 1 Month \$	1 to 3 months \$	3 months to 1 year \$	Total \$
<b>Current Assets</b>				
Cash and cash equivalents	30,756,431	-	-	30,756,431
Short term investments	-	14,695,098	5,147,348	19,842,446
Investment income receivable	642,783	883,769	12,149,710	13,676,262
Accounts receivable	593,783	838,615	3,882,994	5,315,392
Current portion loans receivable	352,168	2,563,685	9,718,100	12,633,953
<b>Total current assets</b>	<b>32,345,165</b>	<b>18,981,167</b>	<b>30,898,152</b>	<b>82,224,484</b>
<b>Current Liabilities</b>				
Accounts payables and accruals	1,855,851	611,490	6,997,679	9,465,020
Severance payable current portion	-	-	261,817	261,817
<b>Total current liabilities</b>	<b>1,855,851</b>	<b>611,490</b>	<b>7,259,496</b>	<b>9,726,837</b>
<b>Net liquidity gap, December 31, 2019</b>	<b>30,489,314</b>	<b>18,369,677</b>	<b>23,638,656</b>	<b>72,497,647</b>

# SOCIAL SECURITY BOARD

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### YEARS ENDED DECEMBER 31, 2019 AND 2018 (IN BELIZE DOLLARS)

#### 3. FINANCIAL RISKS (Continued)

##### d. Liquidity risk (continued)

Net liquidity gap, December 31, 2018:

	Within 1 Month \$	1 to 3 months \$	3 months to 1 year \$	Total \$
<b>Current Assets</b>				
Cash and cash equivalents	35,934,184	-	-	35,934,184
Short term investments	586,912	4,253,921	19,147,348	23,988,181
Investment income receivable	905,602	584,432	11,318,115	12,808,149
Accounts receivable	28,982	46,651	1,393,514	1,469,147
Current portion loans receivable	835,620	2,886,444	11,139,249	14,861,313
<b>Total current assets</b>	<b>38,291,300</b>	<b>7,771,448</b>	<b>42,998,226</b>	<b>89,060,974</b>
<b>Current Liabilities</b>				
Accounts payables and accruals	1,788,522	361,837	8,164,675	10,315,034
Severance payable current portion	-	-	231,685	231,685
<b>Total current liabilities</b>	<b>1,788,522</b>	<b>361,837</b>	<b>8,396,360</b>	<b>10,546,719</b>
<b>Net liquidity gap, December 31, 2018</b>	<b>36,502,778</b>	<b>7,409,611</b>	<b>34,601,866</b>	<b>78,514,255</b>

##### e. Operational risk

The Board is exposed to operational risk which can lead to financial losses through error, fraud or inefficiencies. The Board mitigates this risk by periodically revisiting its internal controls, adhering to its operational policies and procedures, and reliance on the internal audit function.

# SOCIAL SECURITY BOARD

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### YEARS ENDED DECEMBER 31, 2019 AND 2018 (IN BELIZE DOLLARS)

#### 4. CASH AND CASH EQUIVALENTS

	<u>2019</u>	<u>2018</u>
Cash on hand	\$ 6,756	\$ 6,866
Cash at local banks	<u>30,749,675</u>	<u>35,927,318</u>
	<u>\$ 30,756,431</u>	<u>\$ 35,934,184</u>

#### 5. SHORT TERM INVESTMENTS

	<u>2019</u>	<u>2018</u>
Government of Belize Treasury Notes	\$ -	\$ 4,000,000
Term Deposits	<u>19,842,446</u>	<u>19,988,181</u>
	<u>\$ 19,842,446</u>	<u>\$ 23,988,181</u>

#### 6. INVESTMENT INCOME RECEIVABLE

	<u>2019</u>	<u>2018</u>
Sunshine Holdings Limited	\$ 11,322,338	\$ 10,120,985
Other loans and mortgage portfolios	2,130,306	2,067,744
Certificate of deposits	1,005,764	428,087
Floating rate notes	<u>191,333</u>	<u>191,333</u>
	14,649,741	12,808,149
Less: Expected credit losses	<u>(973,477)</u>	-
	<u>\$ 13,676,264</u>	<u>\$ 12,808,149</u>

#### 7. ACCOUNTS RECEIVABLE

	<u>2019</u>	<u>2018</u>
Accounts receivable	\$ 4,211,716	\$ 142,504
Assessment of contributions	<u>2,563,587</u>	<u>2,701,476</u>
Total receivable	6,775,303	2,843,980
Less: Expected credit losses	<u>(1,459,909)</u>	<u>(1,374,833)</u>
	<u>\$ 5,315,394</u>	<u>\$ 1,469,147</u>

**Expected credit losses are comprised of:**

Beginning balance as at January 1	\$ 1,374,833	\$ 1,214,211
adjustment to loss on uncollectible assessments	(124,659)	160,622
provisions for loss on accounts receivable	209,735	-
Ending balance as at December 31	<u>\$ 1,459,909</u>	<u>\$ 1,374,833</u>

# SOCIAL SECURITY BOARD

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### YEARS ENDED DECEMBER 31, 2019 AND 2018 (IN BELIZE DOLLARS)

#### 8. INVESTMENT IN ASSOCIATES

	<u>2019</u>	<u>2018</u>
<b>Belize Electricity Limited (31.26% ownership)</b>		
Balance, beginning of year	\$ 105,372,823	\$110,591,940
Income from associate	863,201	(1,079,001)
Dividend received from associate	-	(4,140,116)
Balance, end of year	<u>\$106,236,024</u>	<u>\$105,372,823</u>
	<u>2019</u>	<u>2018</u>
<b>Belize Telemedia Limited (34.31% ownership)</b>		
Balance, beginning of year	\$ 83,249,244	\$ 79,495,842
Income from associate	5,590,965	7,238,402
Dividend received from associate	(3,485,000)	(3,485,000)
Balance, end of year	<u>\$ 85,355,209</u>	<u>\$ 83,249,244</u>
Total investment in associate, end of year	<u>\$191,591,233</u>	<u>\$188,622,067</u>

#### Summarized financial information of Belize Electricity Limited (in thousands of Belize dollars)

	<u>2019</u>	<u>2018</u>
Total current assets	\$ 81,423	\$ 70,610
Total non-current assets	508,848	475,527
<b>Total assets</b>	<u>590,271</u>	<u>546,137</u>
Total current liabilities	78,989	54,580
Total non-current liabilities	166,165	149,529
<b>Total liabilities</b>	<u>245,154</u>	<u>204,109</u>
<b>Total equity</b>	<u>-</u>	<u>342,028</u>
<b>Total liabilities and equity</b>	<u>245,154</u>	<u>546,137</u>
<b>Profit before tax</b>	7,485	235
<b>Business tax</b>	<u>(4,396)</u>	<u>(3,822)</u>
Income (Loss) from continuing operations	3,089	(3,587)
Other comprehensive income	-	-
<b>Total comprehensive income</b>	<u>\$ 3,089</u>	<u>\$ (3,587)</u>

# SOCIAL SECURITY BOARD

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### YEARS ENDED DECEMBER 31, 2019 AND 2018 (IN BELIZE DOLLARS)

#### 8. INVESTMENT IN ASSOCIATES (Continued)

##### Summarized financial information of Belize Telemedia Limited (in thousand of Belize dollars)

	<u>2019</u>	<u>2018</u>
Total current assets	\$ 68,220	\$ 57,545
Total non-current assets	347,835	292,572
<b>Total assets</b>	<b>416,055</b>	<b>350,117</b>
Total current liabilities	94,836	82,380
Total non-current liabilities	72,091	2,498
<b>Total liabilities</b>	<b>166,927</b>	<b>84,878</b>
<b>Total equity</b>	<b>249,128</b>	<b>265,239</b>
<b>Total liabilities and equity</b>	<b>416,055</b>	<b>350,117</b>
<b>Profit before tax</b>	<b>28,511</b>	<b>34,757</b>
<b>Business tax</b>	<b>(11,463)</b>	<b>(12,213)</b>
Profit from continuing operations	17,048	22,544
Other comprehensive income	-	-
<b>Total comprehensive income</b>	<b>\$ 17,048</b>	<b>\$ 22,544</b>

See Note 24 for details of restatement

#### 9. LONG TERM INVESTMENT

	<u>2019</u>	<u>2018</u>
Belize City Council Municipal Bonds	\$ 5,482,200	\$ 5,482,200
Debentures	6,200,000	6,200,000
Government of Belize Treasury Notes	75,590,712	71,627,550
Term Deposits	30,000,000	10,000,000
Shares	25,460,976	24,739,896
Total long term investments	<b>\$142,733,888</b>	<b>\$118,049,646</b>

#### 10. LOAN PRINCIPAL RECEIVABLE

	<u>2019</u>	<u>2018</u>
Mortgages	\$ 5,718,031	\$ 7,423,666
Private sector	108,877,157	117,732,988
Staff loans	1,165,114	1,177,528
<b>Total Loans</b>	<b>115,760,302</b>	<b>126,334,182</b>
Less: Provision for credit losses	(4,289,411)	(5,188,505)
<b>Total Loans - Net</b>	<b>111,470,891</b>	<b>121,145,677</b>
Less: Current portion	(12,633,953)	(14,861,313)
<b>Total long term loans - Net</b>	<b>98,836,938</b>	<b>106,284,364</b>



# SOCIAL SECURITY BOARD

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### YEARS ENDED DECEMBER 31, 2019 AND 2018 (IN BELIZE DOLLARS)

#### 10. LOAN PRINCIPAL RECEIVABLE (Continued)

	<u>2019</u>	<u>2018</u>
<b>Provision for credit losses is comprised of:</b>		
Beginning balance	\$ 5,188,505	\$ 4,518,693
Additional expected credit losses	285,005	766,288
Reversal of previous provisions	(495,757)	-
Write off	(688,342)	(96,476)
Ending balance	<u>\$ 4,289,411</u>	<u>\$ 5,188,505</u>

At December 31, 2019, non-performing investments equaled to 1.11% of total long and short term investments (December 31, 2018 - 1.82%).

Mortgages received from the Ministry of Housing at December 31, 2019 totaled \$232,989 (December 31, 2018 - \$300,006).

#### 11. HELD FOR SALE

	<u>2019</u>	<u>2018</u>
<b>Vista Del Mar Housing Project</b>		
Remaining lots acquired from Vista Del Mar Development Company Ltd.	\$ 255,694	\$ 421,956
<b>Rocky Point Properties</b>	175,015	175,015
<b>San Pedro, Ambergris Caye</b>		
3,491 acres land	<u>10,636,234</u>	<u>10,636,234</u>
	<u>\$ 11,066,943</u>	<u>\$ 11,233,205</u>

Land properties held in the name of Social Security Board that are held for sale. These properties are measured at the lower of carrying amount and fair value less costs to sell.

#### 12. OTHER ASSETS

	<u>2019</u>	<u>2018</u>
<b>Homeland Development Limited</b>		
857 (2018: 883 ) plots of land	<u>\$ 1,028,400</u>	<u>\$ 1,050,000</u>

An agreement was signed with Social Security Board and Homeland Development Limited dated May 7, 2002 for service that should be delivered to such person that are insured under the funeral scheme. As per agreement Homeland shall sell Social Security Board 1,000 plots permitting the use by SSB. The purchase price was \$1,200,000.

**SOCIAL SECURITY BOARD**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEARS ENDED DECEMBER 31, 2019 AND 2018 (IN BELIZE DOLLARS)**

**13. FIXED ASSET**

	Land	Buildings	Furniture and fixtures	Office equipment	Computers and accessories, hardware and software	Motor vehicles	Work in progress	Total
<b>Cost</b>								
Brought forward, January 1, 2019	\$ 6,715,499	\$ 23,470,073	\$ 2,980,155	\$ 2,735,332	\$ 6,077,712	\$ 910,494	\$ 1,574,670	\$ 44,463,935
Additions	-	-	28,011	103,507	490,316	-	4,575,380	5,197,214
Disposals	-	-	(13,912)	(64,626)	(132,037)	(387,979)	-	(598,554)
Carried forward, December 31, 2019	<b>6,715,499</b>	<b>23,470,073</b>	<b>2,994,254</b>	<b>2,774,213</b>	<b>6,435,991</b>	<b>522,515</b>	<b>6,150,050</b>	<b>49,062,595</b>
<b>Accumulated depreciation</b>								
Brought forward, January 1, 2019	-	7,728,193	2,588,450	2,017,387	5,195,986	807,443	-	18,337,459
Additions	-	577,157	64,531	146,620	321,324	19,194	-	1,128,826
Disposals	-	-	(8,533)	(53,110)	(128,323)	(348,949)	-	(538,915)
Carried forward, December 31, 2019	-	<b>8,305,350</b>	<b>2,644,448</b>	<b>2,110,897</b>	<b>5,388,987</b>	<b>477,688</b>	-	<b>18,927,370</b>
<b>Net book value</b>								
<b>December 31, 2019</b>	<b>\$ 6,715,499</b>	<b>\$ 15,164,723</b>	<b>\$ 349,806</b>	<b>\$ 663,316</b>	<b>\$ 1,047,004</b>	<b>\$ 44,827</b>	<b>\$ 6,150,050</b>	<b>\$ 30,135,225</b>

	Land	Buildings	Furniture and fixtures	Office equipment	Computers and accessories, hardware and software	Motor vehicles	Work in progress	Total
<b>Cost</b>								
Brought forward, January 1, 2018	\$ 6,591,004	\$ 23,372,951	\$ 3,025,608	\$ 2,921,235	\$ 5,841,415	\$ 926,994	\$ 289,108	\$ 42,968,315
Additions	124,495	97,122	9,375	96,791	445,067	-	1,285,562	2,058,412
Disposals	-	-	(54,828)	(282,694)	(208,770)	(16,500)	-	(562,792)
Carried forward, December 31, 2018	<b>6,715,499</b>	<b>23,470,073</b>	<b>2,980,155</b>	<b>2,735,332</b>	<b>6,077,712</b>	<b>910,494</b>	<b>1,574,670</b>	<b>44,463,935</b>
<b>Accumulated depreciation</b>								
Brought forward, January 1, 2018	-	7,259,870	2,624,543	2,125,120	4,965,682	767,549	-	17,742,764
Additions	-	468,323	15,223	168,771	431,032	56,393	-	1,139,742
Disposals	-	-	(51,316)	(276,504)	(200,728)	(16,499)	-	(545,047)
Carried forward, December 31, 2018	-	<b>7,728,193</b>	<b>2,588,450</b>	<b>2,017,387</b>	<b>5,195,986</b>	<b>807,443</b>	-	<b>18,337,459</b>
<b>Net book value</b>								
<b>December 31, 2018</b>	<b>\$ 6,715,499</b>	<b>\$ 15,741,880</b>	<b>\$ 391,705</b>	<b>\$ 717,945</b>	<b>\$ 881,726</b>	<b>\$ 103,051</b>	<b>\$ 1,574,670</b>	<b>\$ 26,126,476</b>

# SOCIAL SECURITY BOARD

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### YEARS ENDED DECEMBER 31, 2019 AND 2018 (IN BELIZE DOLLARS)

#### 13. FIXED ASSET (Continued)

Work-in-progress listed above consists of the following:

	<u>2019</u>	<u>2018</u>
Belmopan commercial building	\$ 3,127,595	\$ 253,742
PERENSA platform development and ancillary costs	2,937,286	297,959
Others	85,169	1,022,969
	<u>\$ 6,150,050</u>	<u>\$ 1,574,670</u>

#### 14. INTANGIBLE ASSET

	<u>2019</u>	<u>2018</u>
<b>Cost</b>		
Brought forward, January 1	\$ 3,291,251	\$ 3,084,143
Cost capitalized during the year	129,366	207,108
Carried forward, December 31	<u>3,420,617</u>	<u>3,291,251</u>
<b>Accumulated amortization</b>		
Brought forward, January 1	1,732,897	1,363,465
Amortization	340,014	369,432
Carried forward, December 31	<u>2,072,911</u>	<u>1,732,897</u>
<b>Total</b>	<u>\$ 1,347,706</u>	<u>\$ 1,558,354</u>

#### 15. ACCOUNTS PAYABLE AND ACCRUALS

	<u>2019</u>	<u>2018</u>
Mortgage securitization program	\$ 4,718,856	\$ 4,718,873
Benefits payable	2,039,739	2,473,083
Accrued expenses and other liabilities	2,706,427	3,123,078
	<u>\$ 9,465,022</u>	<u>\$ 10,315,034</u>

#### 16. SEVERANCE PAYABLE

The movement in the provision is as follows:

	<u>2019</u>	<u>2018</u>
Beginning balance, January 1	\$ 2,606,782	\$ 2,603,182
Addition	538,010	197,764
Payouts	(82,697)	(194,164)
Ending balance, December 31	<u>3,062,095</u>	<u>2,606,782</u>
Less: Current portion	(261,817)	(231,685)
Long term portion	<u>\$ 2,800,278</u>	<u>\$ 2,375,097</u>

# SOCIAL SECURITY BOARD

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### YEARS ENDED DECEMBER 31, 2019 AND 2018 (IN BELIZE DOLLARS)

#### 17. PENSION LIABILITY

The Board sponsors a defined benefit pension scheme in accordance with a Trust Deed signed by the Board and the Trustees on April 24, 1996, but deemed to have been established under irrevocable trust with effect from January 1, 1991. By Statutory Instrument No. 45, dated May 29, 2017, the Prime Minister formally exempted the Social Security Board Staff Pension Scheme from the provisions of the Private Pensions Act.

The scheme is contributory (funded on a bipartite basis by the SSB and the employees). The Board and participants pay fixed contributions into the separate trust which is managed by a Board of Trustees nominated by the employer. These Board's contributions are expensed in the period in which they are accrued. The funding arrangements are as follows, with any liability or surplus recognized in the Board's financial statements:

	Contribution Rate <i>a/</i> 2019	Amount	Contribution Rate <i>a/</i> 2018	Amount
Employees	2.80%	\$ 252,552	2.80%	\$ 257,979
Employer <i>b/</i>	4.30%	\$ 376,178	4.30%	\$ 382,619
Total	<u>7.10%</u>	<u>\$ 628,730</u>	<u>7.10%</u>	<u>\$ 640,598</u>

*a/* Of basic salaries

*b/* Contributions at the rate of 4.3% of salaries suspended as from September 1, 2011, in recognition of the surplus status of the Fund, and re-instated as from January 1, 2017.

The terms of the defined benefit pension scheme allow for 5 different types of benefits to participants and define the amount that participants will receive. These amounts are dependent on factors such as age, years of service and compensation, and are determined independently of the contributions payable or the investments of the scheme. Currently the Scheme has 3 active pensioners and 256 active participants (2018: 4 pensioners and 264 active participants).

An asset or liability recognized in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the reporting date less the fair value of plan assets, together with adjustments for unrecognized actuarial gains or losses and past service costs. Management estimates the defined benefit obligation (DBO) annually with the assistance of an independent actuary. Actuarial gains and losses resulting from re-measurements of the net defined benefit liability are included in other comprehensive income. Any past services are recognized as from January 1, 1991.

The pension obligation is measured as the present value of the estimated future cash outflows using interest rates of long-term government bonds that are denominated in the currency in which the benefits will be paid, and which have terms to maturity approximating the terms of the related liability. Re-measurements arising from experience adjustments and changes in actuarial assumptions are charged or credited to income over the employees' expected average remaining working lives. On a going concern basis and taking into consideration projected salaries as retirement rather than static salaries, the funded status is as follows, as at December 31,:

# SOCIAL SECURITY BOARD

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### YEARS ENDED DECEMBER 31, 2019 AND 2018 (IN BELIZE DOLLARS)

#### 17. PENSION LIABILITY (Continued)

##### a) Projected Benefit Obligation and Funded Status (IAS-19 R)

Funded Status	2019	2018
Projected Benefit Obligation	\$ 10,975,104	\$ 10,414,389
Net assets	(10,055,282) <sup>a/</sup>	(9,423,631) <sup>a/</sup>
Unfunded liability	\$ 919,822 <sup>b/</sup>	\$ 990,758 <sup>b/</sup>

a/Unaudited

b/Deficit to be recognized. Excludes contingent pension payments of \$10,935 owed at December 31, 2019. Such payments have not been accrued, therefore the unfunded liability would increase to \$930,757, an issue subject to a Resolution by the Trustees in 2020.

##### b) Changes in Benefit Obligations and Net Assets

<b>Changes in Projected Obligations</b>	2019	2018
Projected benefit obligation at January 1	\$ 10,414,389	\$ 9,668,816
Service cost	511,370	591,416
Interest cost	528,881	475,094
Benefits paid and expenses	(302,261)	(974,457)
Actuarial (gain) loss - obligations	(177,275)	653,520
Projected benefit obligation at December 31	\$ 10,975,104	\$ 10,414,389
<b>Change in Plan Assets</b>		
Assets at January 1	\$ 9,423,631	\$ 9,375,049
Expected return on assets <sup>a/</sup>	471,181	460,406
Contributions	628,730	640,598
Benefit paid and expenses	(302,261)	(974,457)
Actuarial loss - assets	(165,999)	(77,965)
Assets at December 31	\$ 10,055,282	\$ 9,423,631
Consolidated deficit	\$ 919,822 <sup>b/</sup>	\$ 990,758

a/ Actual return: \$304,782 (2019)

b/Deficit to be recognized. Excludes contingent pension payments of \$10,935 owed at December 31, 2019. Such payments have not been accrued, therefore the unfunded liability would increase to \$930,757, an issue subject to a Resolution by the Trustees in 2020.

# SOCIAL SECURITY BOARD

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### YEARS ENDED DECEMBER 31, 2019 AND 2018 (IN BELIZE DOLLARS)

#### 17. PENSION LIABILITY (Continued)

##### c) Expenses to be Recognized (IAS-19R)

	2019	2018
Current service cost	\$ 511,370	\$ 591,416
Net interest expense	57,700	14,688
Sub-total profit	569,070	606,104
<u>Re-measurement</u>		
Liability (gain) loss	(177,275)	653,520
Asset loss (gain)	161,999	(77,965)
Sub-total (loss) profit	(15,276)	575,555
Total	\$ 553,794	\$ 1,181,659

##### d) Actuarial Bases

	2019	2018
Mortality Table	GAM-83	GAM-83
Rate of Return (long-term)	5%	5%
Salary Scale	2%	2%
Real Rate of Discount	3%	3%
Annuity Rates	5%	5%

##### e) Actual and Expected Return of Assets

	2019	2018
Expected return	471,181	460,406
Actual return	304,782	382,442
Surplus	166,399	77,964

Excludes contingent capital gains in BTL shares

##### Sensitivity Analysis (Projected Benefit Obligations)

The analysis shows the following results in the projected obligations:

Discount rate	Variations in benefit obligations
-1%	+13.2%
+1%	-11.6%

# SOCIAL SECURITY BOARD

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### YEARS ENDED DECEMBER 31, 2019 AND 2018 (IN BELIZE DOLLARS)

---

#### 18. NET INVESTMENT INCOME

	<u>2019</u>	<u>2018</u>
Long and short term investments income	\$ 15,285,974	\$ 15,124,078
Income from associates	6,454,166	6,159,401
Investment expenses	(96,793)	(63,774)
Expected credit losses	(762,726)	(766,088)
	<u>\$ 20,880,621</u>	<u>\$ 20,453,617</u>

#### 19. OTHER INCOME – NET

	<u>2019</u>	<u>2018</u>
Interest on assessments	\$ 664,874	\$ 638,897
Interest on late contributions	359,882	362,970
Rental income	18,600	4,600
Gain (loss) on disposal of fixed assets	30,479	(14,221)
Others	948,846	270,577
	<u>\$ 2,022,681</u>	<u>\$ 1,262,823</u>

#### 20. GOVERNMENT SUBVENTION TO NHI PROGRAM

The Government of Belize assists the National Health Insurance (NHI) through an annual subvention which is allocated in the annual GOB budget.

	<u>2019/2020</u>	<u>2018/2019</u>
Annual GOB budget year		
Total contributions	<u>\$ 18,000,000</u>	<u>\$ 17,800,000</u>

# SOCIAL SECURITY BOARD

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### YEARS ENDED DECEMBER 31, 2019 AND 2018 (IN BELIZE DOLLARS)

---

#### 21. ADMINISTRATION EXPENSES

	<u>2019</u>	<u>2018</u>
Actuarial expenses	\$ 114,475	129,195
Amortization (intangible asset)	340,014	369,431
Appeals Tribunal expenses	37,724	16,548
Audit cost	101,273	81,313
Board expenses	363,205	370,340
Cleaning and sanitation	276,799	278,131
Committees expense	129,226	150,713
Compliance project	42,737	8,195
Depreciation	655,997	669,206
Donation	4,605	6,358
Insurance	72,012	65,040
Legal and professional fees	628,065	158,994
Medical and group health insurance	322,271	325,858
Motor vehicle expenses	92,793	99,629
Overseas conference	101,880	96,866
Penalties and fees	-	4,070
Pensions - defined contribution	244,715	454,615
Postage	41,076	46,075
Premises repairs and maintenance	409,389	523,517
Printing, stationery and supplies	1,908,456	921,852
Publicity and promotion	337,426	389,910
Recruitment	12,101	11,627
Registration expenses	202,358	228,715
Salaries	12,439,459	11,941,113
Security	499,975	639,931
Severance	538,010	197,764
Social security contributions	382,004	272,729
Subscriptions	54,014	20,796
Telephones and cables	648,594	599,597
Training	332,293	853,180
Transfer and other allowances	1,515,777	1,331,094
Traveling and subsistence	728,010	766,011
	<u>\$ 23,576,733</u>	<u>\$ 22,028,413</u>



# SOCIAL SECURITY BOARD

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### YEARS ENDED DECEMBER 31, 2019 AND 2018 (IN BELIZE DOLLARS)

#### 22. ESTABLISHMENT EXPENSES

	<u>2019</u>	<u>2018</u>
Light, power and water	\$ 516,523	\$ 480,924
Depreciation	472,829	470,536
Rent	90,022	133,448
	<u>\$ 1,079,374</u>	<u>\$ 1,084,908</u>

#### 23. EMPLOYEE REMUNERATION

	<u>2019</u>	<u>2018</u>
Salaries	\$ 12,439,459	\$ 11,941,113
Social Security costs	382,004	272,729
Pensions-defined benefit plans	244,715	454,615
Total employee remuneration	<u>\$ 13,066,178</u>	<u>\$ 12,668,457</u>

#### 24. RESTATEMENT

Opening balances of the Statement of Financial Position of the Board as of January 1, 2018 were restated to reflect reimbursement to the Government of Belize for its settlement of debt for associate - Belize Telemedia Limited (BTL).

In July 2007, prior to the acquisition of BTL by GOB, the associate had secured a US\$22.5 million (BZ\$45 million) loan from the British Caribbean Bank. Consequently, in its acquisition of BTL, GOB acquired the liability and later settled the debt and paid the loan plus interest to the bank. The settlement involved the set-off of certain amounts that were receivable from GOB and the issue of preference shares to GOB. At the time there was a balance of BZ\$25.8 million in retained earnings.

In November 2018, the associate signed a Memorandum of Understanding with GOB for the full and final settlement of the balance of BZ\$25.8 million owed to the GOB, at its face value.

Based on the Board's equity adjustment in BTL as at March 31, 2017 the total of all prior period adjustments resulted in a \$4.6 million charge to the reserves. The net effect follows:

	December 31, 2017	Adjustment	December 31, 2017, as restated	December 31, 2018, as restated
Investment in associates	194,729,384	(4,641,602)	190,087,782	188,622,067
Short term benefits reserve	(12,835,358)	116,924	(12,718,434)	(11,731,470)
Long term benefits	(419,595,497)	3,822,317	(415,773,180)	(420,915,656)
Employment injury benefits reserve	(62,977,882)	573,699	(62,404,183)	(78,827,367)
Disablement and death benefits reserve	(14,123,869)	128,662	(13,995,207)	(13,526,538)

# SOCIAL SECURITY BOARD

## NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2019 AND 2018 (IN BELIZE DOLLARS)

### 25. CATEGORIES OF FINANCIAL INSTRUMENTS

Financial assets	At December 31, 2019			At December 31, 2018		
	Fair value through profit and loss	Amortized costs	Total	Fair value through profit and loss	Amortized costs	Total
	\$	\$	\$	\$	\$	\$
Cash and cash equivalents	-	30,756,431	30,756,431	-	35,934,184	35,934,184
Short term investments	-	19,842,446	19,842,446	-	23,988,181	23,988,181
Investment income receivable	-	13,676,264	13,676,264	-	12,808,149	12,808,149
Accounts receivable	-	5,315,394	5,315,394	-	1,469,147	1,469,147
Long term investments	25,190,665	117,272,912	142,463,577	24,739,896	93,309,750	118,049,646
Loan principal receivable - net	-	111,470,891	111,470,891	-	121,145,677	121,145,677
<b>Total financial assets</b>	<b>25,190,665</b>	<b>298,334,338</b>	<b>323,525,003</b>	<b>24,739,896</b>	<b>288,655,088</b>	<b>313,394,984</b>

Financial liabilities	Amortized cost	
	2019	2018
	\$	\$
Accounts payable and accruals	9,465,022	10,315,017
<b>Total financial liabilities</b>	<b>9,465,022</b>	<b>10,315,017</b>

# SOCIAL SECURITY BOARD

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### YEARS ENDED DECEMBER 31, 2019 AND 2018 (IN BELIZE DOLLARS)

#### 26. CAPITAL MANAGEMENT POLICIES AND PROCEDURES

Social Security Board's capital management objectives are:

- to ensure its's ability to continue as a going concern
- to obtain an adequate return on investments to maintain healthy reserves
- to meet its commitments to all insured persons

These are accomplished by managing and investing prudently the contribution received from employers and employees. This is balanced with the risk appetite of SSB.

Social Security Board monitors capital on the basis of the carrying amount of equity less cash and cash equivalents as presented on the face of the statement of financial position.

SSB's goal in capital management is to maintain a capital-to-overall financing ratio of 1:1 to 1:2.

Management assesses SSB's capital requirements in order to maintain an efficient overall financing structure. To date SSB has not had the need to obtain loans from other institutions (debt). SSB manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, SSB may adjust by selling assets or cashing in investments.

The amounts managed as capital by SSB for the reporting periods under review are summarized as follows:

	<u>2019</u>	<u>2018</u>
Total equity	<b>\$ 546,328,425</b>	\$ 528,730,064
Cash and cash equivalents	<b>30,756,431</b>	35,934,184
<b>Capital</b>	<b><u>577,084,856</u></b>	<b><u>564,664,248</u></b>
Total equity	546,328,425	528,730,064
Borrowings (debt)	-	-
<b>Overall Financing</b>	<b><u>\$ 546,328,425</u></b>	<b><u>\$ 528,730,064</u></b>
<b>Capital-to-overall financing ratio</b>	<b>1.06%</b>	1.07%

Social Security Board has adequate capital ratios and continues to monitor its benefit reserves.

# SOCIAL SECURITY BOARD

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### YEARS ENDED DECEMBER 31, 2019 AND 2018 (IN BELIZE DOLLARS)

---

#### 27. SEGMENT REPORTING

In accordance with IFRS 8 and for management purposes, the Board's activities are organized into three main operating segments prescribed in the Social Security Act, Chapter 44, Revised Edition 2003. These are as follows:

a) *Short Term Benefits Branch* : Covers

i. **Maternity Benefits** which are paid to insured women who are on Maternity leave from work because of their pregnancy and confinement.

ii. **Sickness Benefit** is paid for up to 26 weeks to an insured person under 65 years who is temporarily unable to work because of an illness and who is employed when he or she becomes ill.

b) *Long-term Benefits Branch*: Covers

i. **Retirement Benefits** paid to insured persons who are 65 years of age (and older) or 60 to 64 and not employed.

ii. **Invalidity Benefits** paid to insured persons under 60 years who are medically certified by Social Security Medical Board as permanently unable to do any type of work because of an illness.

iii. **Survivors' Benefits** paid to the widow/widower, children or parents of a deceased insured person whose death was not caused by a work-related injury.

c) *Employment Injury Benefits Branch*: This branch of benefits provides coverage for an insured person who suffers an employment injury, that is a personal injury or death by way of an accident at work or a disease caused by the type of work he or she does.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which in certain respects is measured differently from operating profit or loss in the financial statements. The result of operations for each Branch is disclosed in pages 46 to 50. Revenues and expenses are allocated based on formula prescribed by law (See note 2r and 2w).

#### 28. COMMITMENTS AND CONTINGENCIES

i. Mortgage Securitization – Tranche A

On April 21, 1999, the Board entered into an agreement for the Assignment of Mortgages (Tranche A). The Board, the Development Finance Corporation (DFC), and the Government of Belize (GOB) signed the agreement with the Royal Merchant Bank and Finance Company of Trinidad and Tobago (RMB). Under the agreement, the Board assigned a total of \$18,906,359 worth of mortgages. The Board's commitment under this agreement is for \$293,640 monthly.

# SOCIAL SECURITY BOARD

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### **YEARS ENDED DECEMBER 31, 2019 AND 2018 (IN BELIZE DOLLARS)**

---

#### **28. COMMITMENTS AND CONTINGENCIES (Continued)**

In October 2004, GOB, through a Fixed Rate Non-Callable Bond Issue refinanced the existing agreement with RMB. The Board did not participate in the refinancing agreement, however, under the new arrangement the Board is committed to continue making monthly payments of \$293,640 to GOB. The Board's responsibility under the new agreement expired on April 30, 2013. Commitments to GOB is expected to be settled in 2020.

##### Mortgage Securitization – Tranche B

On December 23, 1999, a second Assignment of Mortgages (Tranche B) agreement was signed between the Board, DFC and RMB. The total value of mortgages assigned by the Board in this transaction is \$15,473,754. The Board's commitment under this agreement is for \$175,200 monthly payable to DFC, for further payment to RMB, and shall remain in force until December 30, 2013.

In October 2004, GOB, through a Fixed Rate Non-Callable Bond Issue refinanced the existing agreement with RMB. The Board did not participate in the refinancing agreement, however, under the new arrangement the Board is committed to continue making monthly payments of \$175,200 to GOB. The Board's responsibility under the new agreement expired on December 30, 2013. Commitments to GOB is expected to be settled in 2020.

##### Mortgage Securitization – Tranche C and D

On March 21, 2000 and August 30, 2000, a third (Tranche C) and fourth (Tranche D) agreement was signed between the Board, DFC and RMB. Under these two agreements, the mortgages assigned by the Board came from the Saint James National Building Society (SJNBS), and totaled \$27,731,240. Under these agreements, the SJNBS pays the Board a total of \$1,221,720 on a quarterly basis. The Board then pays that amount to DFC for further payment to RMB. As signatory to these agreements the Board is responsible to ensure collections from SJNBS, this responsibility remained in force until March 21, 2009 for Tranche C, and August 30, 2010 for Tranche D. Under a default scenario the Board is responsible to effect payment to DFC. Commitments under this agreement will be settled in 2020.

##### ii. Claims

The Government of Belize gave notice of its acquisition of Belize Telemedia Limited (BTL) by order of the Belize Telecommunications (Assumption of Control Over Belize Telemedia Limited) Amendment Order, 2009, Statutory Instrument No. 130 of 2009. Subsequently, in a notice dated December 7, 2009, and Gazetted on December 12, 2009, the Government required all those who may have claims to compensation to submit their claims to the Financial Secretary. The Notice of Acquisition specifically included the shares of BTL held by Sunshine Holdings, as well as the outstanding shares of Sunshine Holdings itself.

# **SOCIAL SECURITY BOARD**

## **NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

### **YEARS ENDED DECEMBER 31, 2019 AND 2018 (IN BELIZE DOLLARS)**

---

#### **28. COMMITMENTS AND CONTINGENCIES (Continued)**

As a consequence of the acquisition of Sunshine Holdings, and by letter dated October 13, 2009, the Social Security Board filed a claim with the Financial Secretary, Ministry of Finance, indicating that "Pursuant to Belize Gazette Notice 529, dated August 27, 2009, the Social Security Board (SSB) hereby makes a claim for payment of the sums evidence as to SSB by a Loan Note between Sunshine Holdings Ltd. and SSB dated September 19, 2005." As a result, of Supreme Court Claim No. 341 of 2001 Social Security Board vs. Sunshine Holdings Ltd, Government confirms that it will continue to wholly own Sunshine Holdings Ltd. in which the liability for the payment of the loan balance now becomes that of Government. All other outstanding sums including interest is to be paid by the Government of Belize.

#### **29. EVENTS AFTER THE REPORTING PERIOD**

The COVID-19 coronavirus global pandemic caused the Government of Belize to declare a national state of emergency starting April 2, 2020, however as an essential service the Social Security Board continued its core operations during this time. No adjustments were deemed necessary as this was classified as a non-adjusting event as of the December 31, 2019 reporting date.



## SUPPLEMENTARY AUDIT REPORT

To the Board of Directors:  
Social Security Board:

Our report on the examinations of the financial statement of the Social Security Board as of December 31, 2019 and 2018 appears on pages 1 and 2. These examinations were made primarily for the purpose of expressing an opinion on the financial statements taken as whole. The supplementary information accompanying the financial statements is not necessary for fair presentation of the financial statements of the financial position or results of operations in accordance with International Financial Reporting Standards. The supplementary information is presented in accordance with Sections 13 and 21 of the Financial and Accounting Regulations of the Social Security Act, Chapter 44, Revised Edition 2000-2003. The supplementary information has been subjected to the auditing procedures applied in the examinations of the financial statements and in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

A handwritten signature in blue ink that reads 'HKB Belize, LLP'.

Chartered Accountants  
Belize City, Belize  
August 11, 2020

**h**l**b.bz**

**Partners:** Claude Burrell, CPA, CISA | Giacomo Sanchez, CPA

40 Central American Blvd | Belize City | Belize C.A.

**TEL:** +501 227 3020 **EMAIL:** [info@h\*\*l\*\*b.bz](mailto:info@h<b>l</b>b.bz)

HLB Belize, LLP is a member of HLB International, the global advisory and accounting network

# SOCIAL SECURITY BOARD

## STATEMENTS OF INCOME AND EXPENDITURES - SHORT TERM BENEFITS BRANCH YEARS ENDED DECEMBER 31, 2019 AND 2018 (IN BELIZE DOLLARS)

	<u>2019</u>	<u>2018</u>
<b>INCOME</b>		
Contributions:		
Employers and employed persons	<u>\$ 22,540,616</u>	<u>\$ 16,755,858</u>
Total contributions	<u>22,540,616</u>	<u>16,755,858</u>
Other income:		
Net investment income	466,590	515,236
Others	<u>674,227</u>	<u>420,943</u>
Total other income	<u>1,140,817</u>	<u>936,179</u>
<b>TOTAL INCOME</b>	<u>23,681,433</u>	<u>17,692,037</u>
<b>EXPENDITURES</b>		
Benefits:		
Maternity	4,081,173	4,013,175
Sickness	<u>10,536,256</u>	<u>9,348,033</u>
Maternity grants	<u>949,200</u>	<u>995,366</u>
Total benefits	<u>15,566,629</u>	<u>14,356,574</u>
Operating expenses:		
Administration	4,835,236	4,109,820
Establishment	<u>342,551</u>	<u>345,889</u>
Financial	<u>97,176</u>	<u>80,238</u>
Total operating expenses	<u>5,274,963</u>	<u>4,535,947</u>
<b>TOTAL EXPENDITURE</b>	<u>20,841,592</u>	<u>18,892,521</u>
<b>EXCESS OF INCOME OVER EXPENDITURES (EXPENDITURES OVER INCOME)</b>	<u>\$ 2,839,841</u>	<u>\$ (1,200,484)</u>



# SOCIAL SECURITY BOARD

## STATEMENTS OF INCOME AND EXPENDITURES - LONG TERM BENEFITS BRANCH YEARS ENDED DECEMBER 31, 2019 AND 2018 (IN BELIZE DOLLARS)

	<u>2019</u>	<u>2018</u>
<b>INCOME</b>		
Contributions:		
Employers and employed persons	\$ 65,117,334	\$ 48,961,923
Total contributions	<u>65,117,334</u>	<u>48,961,923</u>
Other income:		
Net investment income	16,740,882	16,843,369
Others	674,227	420,940
Total other income	<u>17,415,109</u>	<u>17,264,309</u>
<b>TOTAL INCOME</b>	<u>82,532,443</u>	<u>66,226,232</u>
<b>EXPENDITURES</b>		
Benefits:		
Retirement	44,996,664	39,405,171
Invalidity	4,003,589	3,630,584
Survivors	7,900,148	7,627,724
Funeral	1,333,651	1,359,717
Non-contributory pension	1,753,861	2,009,387
Total benefits	<u>59,987,913</u>	<u>54,032,583</u>
Operating expenses:		
Administration	15,873,975	13,605,132
Establishment	342,550	345,890
Financial	97,176	80,238
Total operating expenses	<u>16,313,701</u>	<u>14,031,260</u>
<b>TOTAL EXPENDITURE</b>	<u>76,301,614</u>	<u>68,063,843</u>
<b>EXCESS OF INCOME OVER EXPENDITURES (EXPENDITURES OVER INCOME)</b>	<u>\$ 6,230,829</u>	<u>\$ (1,837,611)</u>

# SOCIAL SECURITY BOARD

## STATEMENTS OF INCOME AND EXPENDITURES - EMPLOYMENT INJURY BENEFITS BRANCH YEARS ENDED DECEMBER 31, 2019 AND 2018 (IN BELIZE DOLLARS)

	<u>2019</u>	<u>2018</u>
<b>INCOME</b>		
Contributions:		
Employers and employed persons	<u>\$ 12,522,564</u>	<u>\$ 21,325,638</u>
Total contributions	<u>12,522,564</u>	<u>21,325,638</u>
Other income:		
Net investment income	<u>3,135,164</u>	2,528,053
Others	<u>674,227</u>	420,940
Total other income	<u>3,809,391</u>	<u>2,948,993</u>
<b>TOTAL INCOME</b>	<u>16,331,955</u>	<u>24,274,631</u>
<b>EXPENDITURES</b>		
Benefits:		
Disabling grants	<u>414,107</u>	483,701
APV disablement benefits	<u>296,056</u>	599,349
APV death benefits	<u>212,662</u>	222,683
Employment Injury	<u>2,436,394</u>	2,348,050
Funeral grants	<u>9,000</u>	9,000
Total benefits	<u>3,368,219</u>	<u>3,662,783</u>
Operating expenses:		
Administration	<u>2,016,301</u>	3,300,863
Establishment	<u>342,550</u>	345,890
Financial	<u>97,176</u>	80,238
Total operating expenses	<u>2,456,027</u>	<u>3,726,991</u>
<b>TOTAL EXPENDITURE</b>	<u>5,824,246</u>	<u>7,389,774</u>
<b>EXCESS OF INCOME OVER EXPENDITURES</b>	<u>\$ 10,507,709</u>	<u>\$ 16,884,857</u>

# SOCIAL SECURITY BOARD

## STATEMENTS OF INCOME AND EXPENDITURES - DISABLEMENT AND DEATH BENEFITS RESERVE

YEARS ENDED DECEMBER 31, 2019 AND 2018 (IN BELIZE DOLLARS)

	<u>2019</u>	<u>2018</u>
<b>INCOME</b>		
Contributions:		
APV disablement benefits	\$ 296,056	\$ 599,349
APV death benefits	<u>212,662</u>	<u>222,683</u>
Total contributions	<u>508,718</u>	<u>822,032</u>
 Net investment income	 537,985	 566,959
<b>TOTAL INCOME</b>	<u><u>1,046,703</u></u>	<u><u>1,388,991</u></u>
<b>EXPENDITURES</b>		
Benefits:		
Disablement pension	1,547,485	1,446,074
Death benefits	<u>629,253</u>	<u>646,540</u>
Total benefits	<u>2,176,738</u>	<u>2,092,614</u>
<b>EXCESS OF EXPENDITURES OVER INCOME</b>	<u><u>\$ (1,130,035)</u></u>	<u><u>\$ (703,623)</u></u>

# SOCIAL SECURITY BOARD

## STATEMENTS OF INCOME AND EXPENDITURES - NATIONAL HEALTH INSURANCE FUND YEARS ENDED DECEMBER 31, 2019 AND 2018 (IN BELIZE DOLLARS)

	<u>2019</u>	<u>2018</u>
<b>INCOME</b>		
Contributions:		
Government of Belize	<u>\$ 17,950,001</u>	<u>\$ 17,600,004</u>
Total contributions	<u>17,950,001</u>	<u>17,600,004</u>
<b>EXPENDITURES</b>		
Benefits:		
National health insurance benefits	<u>16,706,465</u>	<u>16,305,209</u>
Total benefits	<u>16,706,465</u>	<u>16,305,209</u>
Operating expenses:		
Administration	<u>953,645</u>	<u>905,850</u>
Establishment	<u>51,723</u>	<u>47,239</u>
Financial	<u>7,196</u>	<u>4,646</u>
Total operating expenses	<u>1,012,564</u>	<u>957,735</u>
<b>TOTAL EXPENDITURE</b>	<u>17,719,029</u>	<u>17,262,944</u>
<b>EXCESS OF INCOME OVER EXPENDITURES</b>	<u>\$ 230,972</u>	<u>\$ 337,060</u>

# SOCIAL SECURITY BOARD

## INVESTMENTS LISTINGS

### YEARS ENDED DECEMBER 31, 2019 AND 2018 (IN BELIZE DOLLARS)

SHORT TERM INVESTMENTS	<u>2019</u>	<u>2018</u>
<b><u>Term Deposits</u></b>		
<b>Heritage Bank Limited:</b>		
2% Maturing January 10, 2019	\$ -	\$ 1,000,000
2% Maturing January 9, 2019	-	3,254,170
1.5% Maturing January 28, 2019	-	1,706,094
1.5% Maturing February 1, 2019	-	2,131,505
1.5% Maturing March 27, 2019	-	2,122,416
<b>Atlantic Bank Limited</b>		
2.85% Maturing December 12, 2020	518,625	-
2.85% Maturing October 16, 2020	1,628,723	-
3.5% Maturing November 4, 2020	1,500,000	-
3.5% Maturing November 4, 2020	1,500,000	-
2.85% Maturing December 12, 2019	-	518,624
2.85% Maturing October 16, 2019	-	1,628,732
3.5% Maturing November 2, 2019	-	1,500,000
3.5% Maturing November 2, 2019	-	1,500,000
<b>National Bank of Belize</b>		
3% Maturing on January 8, 2020	2,068,797	-
3% Maturing on January 8, 2020	2,626,301	-
3% Maturing on January 8, 2019	-	2,038,636
3% Maturing on January 8, 2019	-	2,588,014
<b>Belize Bank Limited</b>		
2.15% Maturing February 6, 2020	3,000,000	-
2.15% Maturing February 6, 2020	3,000,000	-
2.15% Maturing February 6, 2020	4,000,000	-
<b>Total Term Deposits</b>	<b><u>19,842,446</u></b>	<b><u>19,988,191</u></b>
<b><u>Treasury notes</u></b>		
<b>Government of Belize</b>		
3.00% Maturing September 14, 2019	-	4,000,000
<b>Total Treasury Notes</b>	-	4,000,000
<b>TOTAL SHORT TERM INVESTMENTS</b>	<b><u>\$ 19,842,446</u></b>	<b><u>\$ 23,988,191</u></b>

# SOCIAL SECURITY BOARD

## INVESTMENTS LISTINGS (CONTINUED)

### YEARS ENDED DECEMBER 31, 2019 AND 2018 (IN BELIZE DOLLARS)

<b>INVESTMENT IN ASSOCIATES</b>	<b><u>2019</u></b>	<b><u>2018</u></b>
<b>Belize Electricity Limited</b> 21,580,028 (2018: 21,508,028) ordinary shares, BZ\$ 2 par	<b>\$106,236,024</b>	\$105,372,823
<b>Belize Telemedia Limited</b> 17,000,000 (2018: 17,000,000) ordinary shares, BZ\$ 1 par	<b>85,355,209</b>	83,249,244
<b>TOTAL INVESTMENT IN ASSOCIATES</b>	<b><u>\$191,591,233</u></b>	<b><u>\$188,622,067</u></b>
<b>LONG TERM INVESTMENTS</b>	<b><u>2019</u></b>	<b><u>2018</u></b>
<b><u>Municipal bonds</u></b>		
<b>Belize City Council</b> 10 years bond @ 8% Maturing December 22, 2022	<b>\$ 2,882,200</b>	\$ 2,882,200
10 years bond @ 8% Maturing May 22, 2023	<b>1,000,000</b>	1,000,000
10 years bond @ 8% Maturing November 5, 2023	<b>1,600,000</b>	1,600,000
<b>Total Municipal bonds</b>	<b><u>5,482,200</u></b>	<b><u>5,482,200</u></b>
<b><u>Shares</u></b>		
<b>Belize Water Services Limited</b> 4,000,000 shares, held at fair value	<b>17,520,000</b>	16,720,000
<b>Atlantic Bank Limited</b> 2,890 and 4,166 shares held at fair value	<b>1,106,406</b>	708,495
<b>Citrus Products of Belize Limited</b> 7,947,175 shares, held at fair value	<b>6,834,570</b>	7,311,401
<b>Total shares</b>	<b><u>25,460,976</u></b>	<b><u>24,739,896</u></b>
<b><u>Debentures</u></b>		
<b>Belize Electricity Limited</b> 7.00% Maturing December 31, 2024	<b>5,500,000</b>	5,500,000
6.50% Maturing December 31, 2030	<b>700,000</b>	700,000
<b>Total debentures</b>	<b><u>6,200,000</u></b>	<b><u>6,200,000</u></b>

# SOCIAL SECURITY BOARD

## INVESTMENTS LISTINGS (CONTINUED)

### YEARS ENDED DECEMBER 31, 2019 AND 2018 (IN BELIZE DOLLARS)

LONG TERM INVESTMENTS (Continued)	<u>2019</u>	<u>2018</u>
<b><u>TREASURY NOTES</u></b>		
<b>Government of Belize</b>		
4.50% Maturing July 13, 2023	\$ 4,000,000	\$ 4,000,000
5.25% Maturing July 13, 2026	4,000,000	4,000,000
5.25% Maturing July 13, 2026	10,000,000	-
4.00% Maturing July 13, 2021	2,000,000	2,000,000
5.25% Maturing January 13, 2026	-	10,000,000
4.00% Maturing August 1, 2021	9,500,000	9,500,000
4.00% Maturing August 1, 2021	7,850,000	7,850,000
3.00% Maturing September 14, 2021	4,000,000	-
<b>Total Treasury Notes</b>	<b><u>41,350,000</u></b>	<b><u>37,350,000</u></b>
<b>Floating rate notes</b>		
3.75%+IR Maturing May 19, 2022	2,000,000	2,000,000
4.50%+IR Maturing May 19, 2024	7,000,000	7,000,000
5%+IR Maturing May 19, 2027	25,240,712	25,277,550
<b>Total Floating Rate Notes</b>	<b><u>34,240,712</u></b>	<b><u>34,277,550</u></b>
<b>Total Treasury Notes</b>	<b><u>75,590,712</u></b>	<b><u>71,627,550</u></b>
<b><u>Term Deposits</u></b>		
<b>Atlantic Bank Limited</b>		
4.50% Maturing November 20, 2025	5,000,000	-
4.50% Maturing November 20, 2025	5,000,000	-
3.50% Maturing February 4, 2021	5,000,000	-
3.50% Maturing February 4, 2021	5,000,000	-
3.50% Maturing August 31, 2021	5,000,000	-
3.50% Maturing August 31, 2021	5,000,000	-
	<b><u>30,000,000</u></b>	<b><u>-</u></b>
<b>Belize Bank Limited</b>		
2.00% Maturing February 6, 2020	-	3,000,000
2.00% Maturing February 6, 2020	-	3,000,000
2.00% Maturing February 6, 2020	-	4,000,000
	<b><u>-</u></b>	<b><u>10,000,000</u></b>
<b>TOTAL LONG TERM INVESTMENTS</b>	<b><u>\$ 142,733,888</u></b>	<b><u>\$ 118,049,646</u></b>

# SOCIAL SECURITY BOARD

## INVESTMENTS LISTINGS (CONTINUED)

### YEARS ENDED DECEMBER 31, 2019 AND 2018 (IN BELIZE DOLLARS)

LOAN PRINCIPAL RECEIVABLE	<u>2019</u>	<u>2018</u>
<b>Mortgages and Housing</b>		
<b>Housing/MoH Mortgages</b>		
10 to 20 years mortgages @ 8.50% Interest	\$ 232,989	\$ 300,006
<b>RECONDEV</b>		
30 years loan @ 8.00% Interest	214,983	265,787
<b>Civil Service Credit Union Limited</b>		
15 years loan @ 7.50% Interest	-	938,342
<b>BNBS Assigned Mortgages</b>		
20 years loans @ 8.50% Interest	269,776	508,350
<b>Housing Mortgages – Tranche B</b>		
District and Secondary, 10 – 20 years loans @ 8.50% Interest	123,021	126,653
<b>P.S.U. Housing Scheme</b>		
Middle income, 20 years loans @ 8.50% Interest	739,911	887,661
<b>St. James National Building Society Ltd.</b>		
Assigned mortgages, 5 – 20 years loan @ 8.50% Interest	342,585	366,639
<b>Staff Housing Loans</b>		
10 - 20 years @ 8.00% Interest	2,628,514	2,598,498
<b>Previous Staff Housing Loans</b>		
10 – 20 years @ 8.00% Interest	806,715	1,037,864
<b>Other</b>	359,537	393,866
<b>Staff Loans</b>	1,165,114	1,177,528
<b>Total mortgages and housing</b>	<u>6,883,145</u>	<u>8,601,194</u>
<i>Less: provisions for loss on Staff loans/Mortgages</i>	<u>(1,080,130)</u>	<u>(1,240,652)</u>
	<u>\$ 5,803,015</u>	<u>\$ 7,360,542</u>



# SOCIAL SECURITY BOARD

## INVESTMENTS LISTINGS (CONTINUED)

### YEARS ENDED DECEMBER 31, 2019 AND 2018 (IN BELIZE DOLLARS)

	<u>2019</u>	2,018
<b>PRIVATE SECTOR LOANS</b>		
<b>Development Finance Corporation</b>		
18 months loan @ 3.75% Interest	\$ 2,107,285	\$ 4,203,760
6 years loan @ 7.00% Interest	-	232,248
14 years loan @ 5.50% interest	15,803,139	17,504,632
<b>Belize Airport Authority</b>		
15 years loan @ 6.00% Interest	17,918,103	18,882,374
<b>Sunshine Holdings Limited</b>		
Note payable July 2020 @ 8.5% interest	14,133,562	14,133,562
<b>Belize Water Services Limited</b>		
21 years loan @ 6.00% Interest	24,921,435	25,821,259
<b>Belize Elementary School</b>		
14 years loan @ 7.00% Interest	355,459	394,995
<b>Banana Growers Association</b>		
10 years loan @ 6.50% Interest	3,275,627	3,718,127
<b>Citrus Company of Belize Limited</b>		
7 years loan @ 7.50% Interest	3,907,524	6,277,303
<b>CGA - Citrus Growers Association</b>		
Plant - 2 years loan @ 6.50% Interest	772,832	-
Plant - 5 years loan @ 6.00% Interest	455,775	1,456,901
Fertilizer - 4 years loan @ 6.50% Interest	872,900	1,309,948
<b>Marie Sharp Fine Foods</b>		
6 years loan @ 7.50% Interest	3,772,120	3,191,792
<b>Royal Mayan Shrimp Farm</b>		
6 years loan @ 7.50% Interest	5,126,821	5,126,821
4 years loan @ 7.50% Interest	540,449	540,449
4 years loan @ 8.50% Interest	528,616	528,616
8 years loan @ 8.00% Interest	743,000	743,000
<b>Border Management Agency</b>		
8 years loan @ 7.50% interest	3,380,284	4,235,675
<b>Stann Creek- Ecumenical High School</b>		
11 years loan @ 6.00% Interest	302,515	355,403

# SOCIAL SECURITY BOARD

## INVESTMENTS LISTINGS (CONTINUED)

### YEARS ENDED DECEMBER 31, 2019 AND 2018 (IN BELIZE DOLLARS)

LOAN PRINCIPAL RECEIVABLE (Continued)	<u>2019</u>	<u>2018</u>
<b>PRIVATE SECTOR LOANS</b>		
<b>Hot Mama's Belize Ltd.</b>		
7 years loan @ 7.50% Interest	\$ 581,601	\$ 581,601
<b>Diverse Development Limited</b>		
1 Year Revolving loan @7.50% Interest	221,341	221,341
<b>Caribbean Homes &amp; Export Limited</b>		
6 years loan @ 7.00% Interest	2,178,219	2,610,954
<b>Belize City Council</b>		
3 years loan @ 6.00% Interest	-	62,227
<b>Citrus Products of Belize Limited</b>		
Pine - 8 years loan @ 8.50% Interest	1,170,000	1,170,000
Citrus - 8 years loan @ 8.50% Interest	5,050,000	4,430,000
<b>Mark Wagner</b>		
12 years loan @ 8.50% Interest	58,550	-
<b>Karl Huesner Memorial Hospital Authority</b>		
7 years loan @ 6.00% Interest	700,000	-
<b>Total Private Sector Loans</b>	<u>108,877,157</u>	<u>117,732,988</u>
<i>Less: Provision for loss on investments</i>	(3,209,281)	(3,947,853)
	<u>\$ 105,667,876</u>	<u>\$ 113,785,135</u>
<b>TOTAL LOAN PRINCIPAL RECEIVABLE NET</b>	<u>\$111,470,891</u>	<u>\$ 121,145,677</u>
<b>TOTAL INVESTMENTS</b>	<u>\$465,638,458</u>	<u>\$451,805,581</u>

**SOCIAL SECURITY BOARD**

**INVESTMENTS LISTINGS (CONTINUED)**  
**YEARS ENDED DECEMBER 31, 2019 AND 2018 (IN BELIZE DOLLARS)**

---

A summary analysis of investments listed above by asset class at December 31, 2019 is presented below:

<b>Investment Mix</b>	<b>% of Total Investment</b>
Bonds	<b>1.18%</b>
Debentures	<b>1.33%</b>
Investment in associates	<b>41.15%</b>
Mortgages	<b>1.25%</b>
Private sector loans	<b>22.69%</b>
Shares	<b>5.47%</b>
Term deposits	<b>10.70%</b>
Treasury Notes	<b>16.23%</b>
<b>Total</b>	<b><u>100%</u></b>

\* \* \* \* \*



40 Central American Blvd.  
Belize City, Belize, C.A.

**TEL:** +501 227 3020

**EMAIL:** [info@hlb.bz](mailto:info@hlb.bz)

**WEB:** [www.hlb.bz](http://www.hlb.bz)