

# NATIONAL INSURANCE BOARD OF TRINIDAD AND TOBAGO REPORT ON PROCEEDINGS AND OPERATIONS FOR FINANCIAL YEAR JULY 1, 2020, to June 30, 2021

The National Insurance Board of Trinidad and Tobago (NIBTT) was established by the National Insurance Act, Chapter 32:01, Act 35 of 1971 as amended. The NIBTT is a body corporate led by a tripartite Board of Directors comprising representatives of Government, Business and Labour, an independent Chairman and the Executive Director (ex officio member). The Board is charged with the statutory duty to operate and manage the National Insurance System (NIS).

In keeping with the National Insurance Act, the NIBTT produces an annual report of its proceedings and operations for each financial year. This report allows the organization to account to the Parliament and the public on the operations and financial performance of the body corporate and the NIS.

The contents of this report comply with Section 13(2A) of the National Insurance Act which stipulates the report must include:

- a) number of contributors and beneficiaries in the National Insurance Scheme;
- b) contribution income collected;
- c) fixed expenditure incurred in respect of the administration of the National Insurance System;
- d) composition of the investment portfolio;
- e) yield on investments; and
- f) statement of any financial or commercial arrangement with subsidiaries or associated companies.

## National Insurance Board of Trinidad and Tobago Report on Proceedings and Operations for Financial Year July 01, 2020 to June 30, 2021

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The financial year July 1, 2020 through June 30, 2021 was in some respects, a difficult one as public health measures on a local and international level continued to combat the ongoing COVID-19 pandemic. Like many employers, the NIBTT maintained measures to ensure social distancing, implemented frequent sanitization as well as limit the number of persons coming in and out of various locations. As the situation evolved, so did the approaches to maintaining customer engagement and employee productivity. There was deliberate and continuous effort to implement more structured yet responsive policy initiatives in respect of staff welfare. These included the continuation of measures such as *Time off with Permission* for staff, the introduction of *Remote Work/Work from Home* options, as well as the *adjustment of business hours* at our fourteen (14) Service Centres throughout Trinidad and Tobago. During this period, the NIBTT also played a significant role in the administration of the Salary Relief Grant, one of the important social relief measures implemented to ease the financial impact of the pandemic on citizens.

Aside from the disruptions caused by necessary adjustments to work arrangements, *challenges also continued in the local economy, as the economic shock of the ongoing pandemic affected the country's largest trading partners resulting in depressed demand for exports that constitute a significant share of Trinidad and Tobago's foreign exchange earnings*<sup>1</sup>. Trade with our CARICOM neighbours also declined as pandemic-related travel restrictions adversely affected the tourism economies in the Caribbean. As a result, regional economic growth declined significantly, resulting in a decline in imports from Trinidad and Tobago to our CARICOM neighbours. The result was that employers of all types—Government and private—experienced unavoidable declines in earning opportunities with many non-governmental businesses struggling to stave off closure and maintain staffing levels at pre-pandemic levels.

At the end of December 2020, the world received much needed good news, as emergency-use vaccines received approval by the World Health Organization raising the prospects of a return to some form of normalcy with associated implications for productivity, trade, tourism and social interactions. Although promising, the roll-out of these vaccines, particularly to the developing world, was slow in coming and rising cases within Trinidad and Tobago led to another round of lockdowns and public restrictions in mid-May 2021, just as the NIBTT's financial year was coming to an end. In response to the renewed limitations, the NIBTT further deepened its usage of Information & Communication Technology (ICT) to leverage its operations and provide services to the public. Throughout the Service Centre network, customer traffic measures became a driving force for the introduction of an appointment system for most benefits. Funeral Grants were accessible to the public as a walk-in service, whilst the use of the drop-box was encouraged for the submission of other claims. Drop-boxes were also utilised for cheque payments by employers and cash payments remained an over-the-counter facility. While an online payment platform was already in existence, there was greater promotion of this channel for receiving contribution payments. This resulted in an almost 200% increase in utilization of our online payment platform since the onset of the pandemic.

As the NIBTT continued to respond and adapt to the “new normal”, the public confirmation by the Minister of Finance that the Government was actively considering

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<sup>1</sup> Government of the Republic of Trinidad and Tobago: Review of the Economy 2020

some of the proposals put forward in the 10<sup>th</sup> Actuarial Review of the NIS was positive news. Additionally, due to some measure of rebounding in international capital markets as the more advanced economies adapted to the realities of trade with the pandemic restrictions in place, investment returns were quite good over the period with an overall investment portfolio return of 14.18%. This resulted in an increase in the National Insurance Fund by 7.43% or \$2.13 Bn to \$30.78 Bn.

It cannot be overstated that the demographic realities of an ageing population in Trinidad and Tobago are producing a declining pool of labour and hence contributors to the NIS, whilst simultaneously increasing the number of persons of pensionable age. This situation is fundamentally unsustainable for the NIS, and we look forward to more information and active engagement with our key stakeholders regarding reform of the NIS in the near future.

Given the uncertainties brought about by the pandemic and the threats to our medium-term objectives, it was recognised that review and changes to our approach, as encapsulated in the Strategic Plan: 2020-2024, would be required. As a result, the NIBTT engaged in a ‘strategy refresh’ exercise to address the known and anticipated elements of the changing environment, especially as it relates to the COVID-19 pandemic. The outcome of the exercise was the inclusion of new strategic initiatives and implementation timelines based on the risks facing the NIBTT at this time. A clear path to strengthen our organisational resilience, plan for possible turbulent periods in the short-to-medium term and build a bridge to organisational success over the commensurate period, has been developed and is detailed in the updated strategic plan.

At the NIBTT, the events of the past twelve months have reinforced that in every crisis there are also opportunities. For us, it has been an opportunity to take a closer look at what we do, how we do it and how it impacts our stakeholders. We were motivated to adopt technology at a faster rate which is in line with our plans for the implementation of an end-to-end ICT solution. Our resolve to innovate, while adapting to new circumstances with the agility needed for business, demonstrates NIBTT’s responsiveness to this changing environment, which has not only affected the organisation, but also many of us on a personal level. Through all of this, however, we recognise that—notwithstanding the presence of adversity—we must continue to learn and forge ahead with our goals.

National Insurance Board of Trinidad and Tobago Report on Proceedings and Operations  
for Financial Year July 01, 2020 to June 30, 2021

## Financial and Performance Highlights

	<u>FY2019</u>	<u>FY2020</u>	<u>FY2021</u>	<u>% Increase/ Decrease 2019-2020</u>	<u>% Increase/ Decrease 2020-2021</u>
<b>Claims</b>					
Benefit Recipients	202,800	204,613	206,569	0.89%	0.96%
Long – Term Beneficiaries	172,703	177,410	181,147	2.73%	2.11%
New Claims Paid	40,573	35,800	34,607	-11.76%	3.33%
<b>Compliance</b>					
Customer Base	599,768	588,401	633,782	-1.89%	7.71%
Insured Contributors	420,638	404,197	446,116**	-4%	10.37%
Employers	20,714	20,274	19,281	-2.12%	-4.90%
Employers Surveyed	4,742	2,792	3,371	-41.12%	20.74%
<b>Financial</b>					
Contribution Income (\$Mn)	4,706.49 Mn	4,685.85 Mn	4,510.37 Mn	-0.44%	-3.74%
Net Investment Income Realised (\$Mn)	1,254.21 Mn	830.50 Mn	1,087.57 Mn	-33.78%	30.95%
Miscellaneous Income (\$Mn)	2.26 Mn	4.14 Mn	3.24 Mn	83.18%	-21.74%
Benefit Expenditure (\$Mn)	5,139.19 Mn	5,350.81 Mn	5,534.51 Mn	4.12%	3.43%
Administrative Cost (\$Mn)	219.67 Mn	251.17 Mn	231.15 Mn	14.34%	-7.97%
Administrative Cost as a % of Contribution Income	4.66%	5.36%	5.12%	0.70*	-0.24*
Administrative Cost as a % of Total Income	3.38%	3.89%	2.95%	0.51*	-0.94*
Net Yield of Investment Portfolio (realised & unrealised) / Overall Investment Portfolio Return ***	8.08%	4.38%	14.18%	-3.70*	9.80*
Total Funds (\$Bn)	28.96 Bn	28.65 Bn	30.78 Bn	-1.00%	7.43%
Total Assets (\$Bn)	29.13 Bn	28.93 Bn	31.05 Bn	-0.69%	7.33%

\*Percentage Points

\*\* Approach to determining “Insured Contributors” enhanced to consider information from the NIBTT receipting system that includes the number of employees paid for each month. This approach also carries significant weight in the determination of active contributors in the conduct of the 11th Actuarial Review of the NIS.

\*\*\* Return based on Investment Portfolio-Excludes Cash Balances from NIBTT’s Pension Plan a/c, MAT securities (Mortgages) Funeral Grant Cash Account and other cash accounts related to Insurance Operations

## **Key operational statistics include:**

1. Contribution Income in FY2021 was \$4,510.37 Mn, a decrease of 3.74% compared to the figure recorded in FY2020.
2. The number of Beneficiaries increased by 1,956 or 0.96%, to 206,569 in FY2021 compared with 204,613 in the previous year.
3. Benefit Expenditure amounted to \$5,534.51 Mn and represented an increase of 3.43% over the previous year.
4. Total Funds increased by 7.43% from \$28.66 Bn as at June 30, 2020 to \$30.78 Bn as at June 30, 2021.
5. Total Assets increased by 7.33% from \$28.94 Bn as at June 30, 2020 to \$31.05 Bn as at June 30, 2021.
6. Administrative Expenses as a percentage of Contribution Income decreased from 5.36% in FY2020 to 5.12% in FY2021.

## **Employer and Employee Registration**

During FY2021, the number of employers registering with the NIBTT was 1,726. This represented a decrease of 26 or 1.48% in comparison to the 1,752 employers that registered in the previous financial year 2020. The Active Employer Population has decreased slightly compared to the last financial year, falling from 20,274 in FY2020 to 19,281 as at the end of FY2021.

Regarding employee registration, of the 16,596 applications for processing in the financial year all or 100% were determined. Of these, 11,197 or 67% were new insured persons who were added to the database this year, a decrease of 2,503 or 18% when compared with 13,700 new registrants added to the database in 2020. The difference of 5,399 or 33% were previously registered and were already in our database.

## Benefit Administration

### Long-Term Benefits

The suite of Long-Term benefits include Retirement Pension, Retirement Grant, Survivors' Benefit, and Invalidation Benefit. Payment to Long-Term Beneficiaries totalled \$5,257.43 Mn or 94.99% of total Benefit Expenditure in FY2021, a marginal increase from the 94.7% relative share in total Benefit Expenditure recorded in FY2020. As pertained historically, the Retirement Pension accounted for single largest component of Long-term benefits, totalling \$4,548.58 Mn or 86.52% of Long-term Benefit Expenditure. There were 181,147 Long-term Beneficiaries in FY2021, an increase of 2.11% over the 177,410 recorded in the previous year FY2020. Long-term Beneficiaries constituted approximately 87.68% of the total Beneficiaries recorded in FY2021.

Benefit Type	Number of Beneficiaries	Benefit Expenditure	% of Total Long-Term Beneficiaries	% of Total Long-Term Expenditure
Retirement Pension	126,604	\$4,548.58 Mn	69.89%	86.52%
Retirement Grants	3,597	\$176.53 Mn	1.99%	3.36%
Survivors' Benefit	47,499	\$456.02 Mn	26.22%	8.67%
Invalidity Benefit	3,447	\$76.30 Mn	1.90%	1.45%
<b>Total Long-Term</b>	<b>181,147</b>	<b>\$5,257.43 Mn</b>		
% of Total Beneficiaries	87.68%			
% of Total Benefit Expenditure		94.99%		

### Short-Term Benefits

The Short-Term Benefits include Sickness Benefit, Maternity Benefit, Special Maternity Benefit and Funeral Grant. Payment to Short-Term Beneficiaries totalled \$200.81Mn or 3.63% of Total Benefit Expenditure. This represents a decrease of 1.55% from the \$203.98 Mn in FY2020. A similar pattern of decrease was observed in the number of Short-term Beneficiaries falling around 7.08% from 22,444 in FY2020 to 20,961 in the current financial year. Short-term Beneficiaries accounted for 10.15% of the total number of Beneficiaries.

Benefit Type	Number of Beneficiaries	Benefit Expenditure	% of Total Short-Term Beneficiaries	% of Total Short-Term Expenditure
Sickness Benefit	6,224	\$38.16 Mn	29.69%	19.00%
Maternity Benefit	5,133	\$93.17 Mn	24.49%	46.40%
Special Maternity Grant	670	\$2.64 Mn	3.20%	1.31%
Funeral Grant	8,934	\$66.84 Mn	42.62%	33.29%
<b>Total Short Term</b>	<b>20,961</b>	<b>\$200.81 Mn</b>		
% of Total Beneficiaries	10.15%			
% of Total Benefit Expenditure		3.63%		

## Employment Injury Benefits

The Employment Injury Benefits include Disablement Pension, Disablement Grant, Death Benefit, Medical Expenses and Injury Allowance. Payment to Employment Injury Beneficiaries totalled \$76.25 Mn or %0.38 of Total Benefit Expenditure. This represents a decrease of \$3.43 Mn or 4.30% from the \$79.68 Mn recorded for Employment Injury Benefits in FY2020. The decline in expenditure was commensurate with the decline in the number of beneficiaries, falling around 6.26% from 4,750 in the previous year to 4,461 in FY 2021.

Benefit Type	Number of Beneficiaries	Benefit Expenditure	% of Total Short-Term Beneficiaries	% of Total Short-Term Expenditure
Disablement Pension	3,132	\$53.69 Mn	70.21%	70.41%
Disablement Grant	47	\$1.50 Mn	1.05%	1.97%
Death	430	\$9.96 Mn	9.64%	13.06%
Medical Expenses	41	\$0.08 Mn	0.92%	0.10%
Injury Allowance	811	\$11.02 Mn	18.18%	14.45%
<b>Total Employment Injury</b>	<b>4,461</b>	<b>\$76.25 Mn</b>		
% of Total Beneficiaries	2.16%			
% of Total Benefit Expenditure		1.38%		

## Revenue

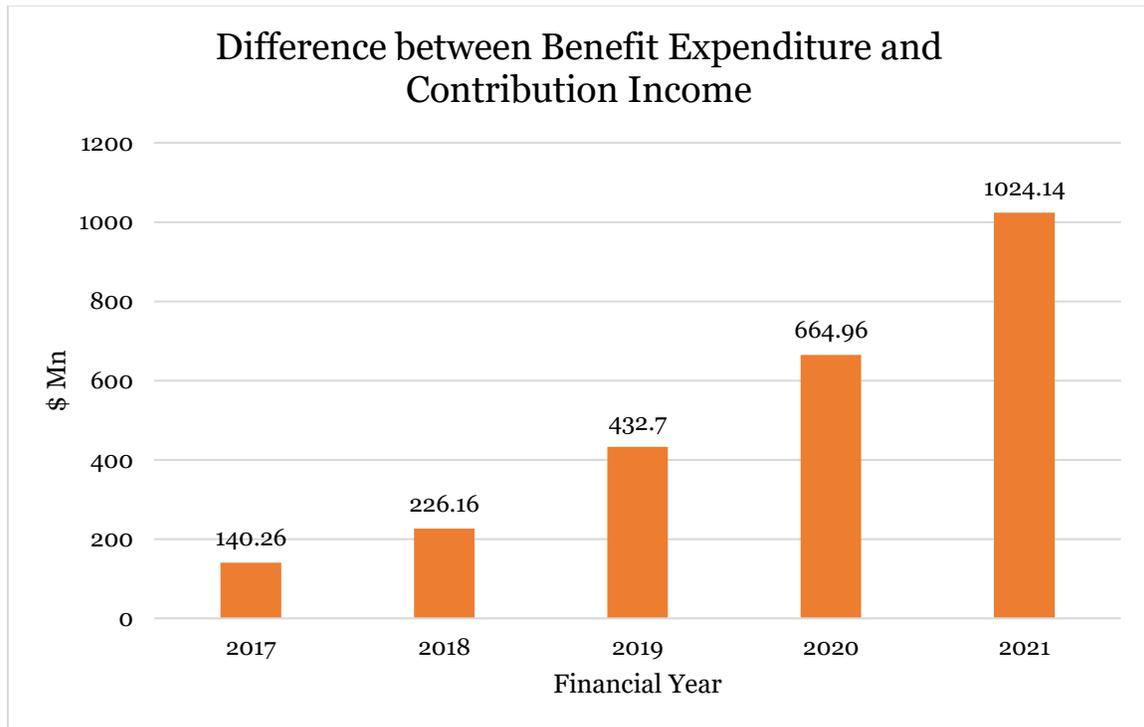
Contribution Income collected for the year ending June 30, 2021, was \$4,510.37 Mn, a total of \$276.98 Mn or 6.5% above the projected estimate of \$4,233.39 Mn. Penalty and Interest payments received amounted to \$30.6 Mn, a decrease of \$3.97 Mn or 11.5% from the \$34.58M collected in FY2020. A comparison of Contribution Income for the years 2017 through 2021, giving a measure of the typical yearly fluctuation in Contribution Income, is provided below.

### Contribution Income: FY2017 to FY2021

	FY2017*	FY2018	FY2019	FY2020	FY2021
Contribution Income (\$Mn)	\$4,608.24	\$4,669.61	\$4,706.49	\$4,685.85	\$4,510.37
% Increase/Decrease	8.39%	1.33%	0.79%	-0.44%	-3.74%

\*Contribution Rate Increase from 12% to 13.2% of insurable income in FY2017

Due to demographic imbalances in the population which have caused an ageing population and less contributions coming into the system, Benefit Expenditure has surpassed Contribution Income since financial year 2013. The difference has continued to grow, increasing to \$1,024.14 Mn during the last financial year. The general increase over the past five financial years is displayed in the chart below.

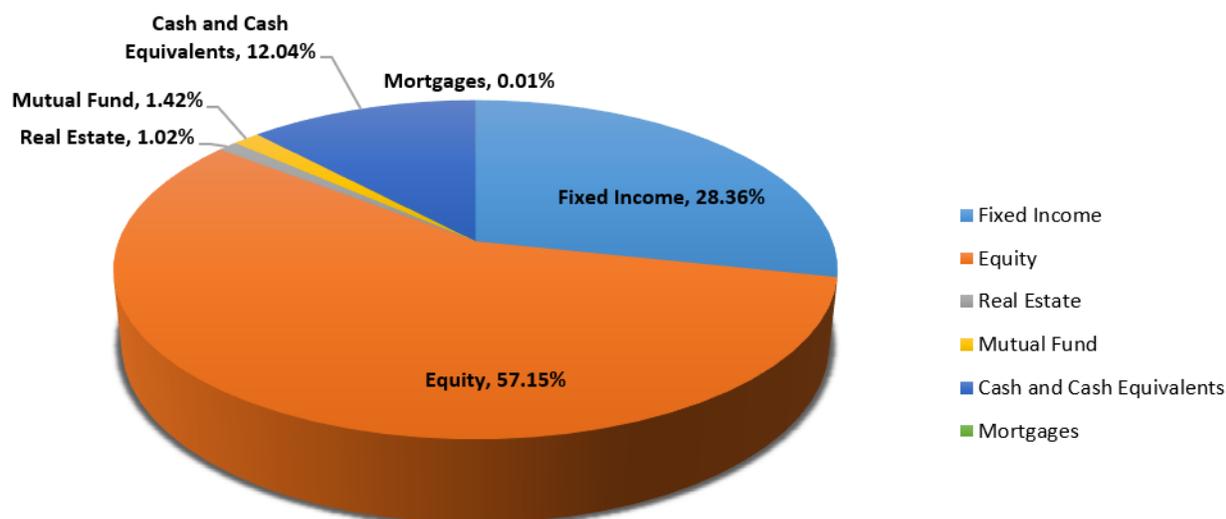


## **Investments**

The NIBTT’s investment portfolio market value as at June 30, 2021 was \$29.83 billion, reflecting a 7.57% or \$2.1 billion increase over the fund size as at June 30, 2020. The increase in the portfolio’s market value was attributable to approximately \$2.1 billion in unrealised gains with equity and fixed income investments contributing gains of \$1.96 billion and \$133 million respectively. Despite the subdued domestic and international interest rate environments, increased global market uncertainties due to heightened geopolitical risks, and the most recent impact of the COVID-19 pandemic, the strong rally in US equities markets continued to be the key growth driver within the portfolio. The impressive performance of the US stock market in conjunction with NIBTT’s strategic rebalancing of investment positions, both locally and internationally, contributed positively to the overall performance of the portfolio.

The recessive impact of COVID-19 on the local economy, as well as in the absence of recommended parametric changes, amplified the deficit between Benefit Expenditure and Contribution Income for FY2021. As such, the performance of the NIBTT’s investment portfolio was moderated by withdrawals of \$1.065 billion from the Investments Cash Account to finance the shortfalls. In response, the NIBTT focused on income maximization and mitigating the liquidity realities of the organization as the NIS continues to be increasingly dependent on the NIBTT’s investment portfolio.

### Asset Allocation as at June 2021



Asset Class	Market Value as at June 30, 2021	Current Asset Allocation
Fixed Income	\$8,459,281,000	28.36%
Equity	\$17,047,685,000	57.15%
Real Estate	\$305,363,000	1.02%
Mutual Fund	\$422,391,000	1.42%
Cash and Cash Equivalents	\$3,590,553,000	12.04%
Mortgages	\$2,118,000	0.01%
<b>Total</b>	<b>\$29,827,391,000</b>	<b>100.00%</b>

The Equity Portfolio which accounted for the largest asset class (57%) of the total fund and stood at \$17.05 billion at the end of FY2021, increased by approximately 16.70% or \$2.44 billion when compared to the prior year.

Over the financial year ending June 30, 2021, the Fund's locally listed equity portfolio reported a total return of 9.84% which underperformed its benchmark the ALL T&T Index return of 11.03% by 119 basis points. The underperformance was mainly attributable to the Fund's significant underweight position in Guardian Holdings Limited (less than 1% vs. 8% of the All T&T), which had a year-to-date return of approximately 72%. The Fund also has a significant overweight position in Republic Financial Holdings Limited (44% vs. 24% of the All T&T) which underperformed the market index by 8.50%.

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The international equities segment of the portfolio managed through a combination of foreign fund managers and an in-house sub-portfolio of exchanged traded funds (ETF) to record a return of 40.72% over the financial year. The continuous monitoring of the foreign fund managers' performance along with prudent management of the internally managed ETF portfolio proved to be instrumental in the growth of the portfolio year-on-year.

As at June 30, 2021, the Fixed Income portfolio decreased by 9.69% or \$908.11 million to \$8.46 billion with a weighted average purchased yield to maturity of 5.21%. During the financial year, \$997 million in new securities were purchased while \$1.37 billion (face value) fixed income securities matured. The NIBTT's fixed income portfolio invests in high quality debt instruments as the portfolio is primarily invested in government and government guaranteed instruments which accounts for approximately 55% of the fixed income portfolio.

The top two countries in which the portfolio was invested were Trinidad and Tobago (78%) and North America (22%). The overall main sector exposures of NIBTT's investment portfolio were Financial (38%) and Sovereign (19%). On July 27, 2021, S&P Global Ratings revised its credit outlook on the Republic of Trinidad and Tobago to "Negative" from "Stable". S&P Global Ratings also re-affirmed the country's 'BBB-/A-3' long and short-term foreign and local currency sovereign credit ratings.

S&P anticipates that Trinidad and Tobago's expected fiscal consolidation and its sizable government assets will continue to support its investment-grade rating. However, the impact of the COVID-19 pandemic, as well as the downturn in the domestic energy sector further exacerbated by the pandemic, will continue to weigh on the economy. The negative credit outlook reflects the view that there may be a one in three chance of a rating downgrade over the next 12-to-24 months. Additionally, Moody's has maintained its credit profile of Trinidad and Tobago at a 'Ba1' rating which is supported by the country's 'b1' economic strength, to reflect the slow pace of economic growth in recent years, with nearly five consecutive economic contractions.

<b>Year on Year Total Realised Investment Income (\$'000)</b>		
	<b>2020/2021</b>	<b>2019/2020</b>
<b>Interest Income</b>	\$408,460	\$416,372
<b>Dividend Income</b>	\$339,959	\$285,726
<b>Gain on sale of foreign equities</b>	\$201,304	\$32,650
<b>Gain/(loss) from foreign exchange</b>	\$8,918	\$(10,819)
<b>Gain on sale of foreign bonds</b>	\$6,838	\$-
<b>Gain/ (loss) on sale of mutual funds</b>	\$33,896	\$20,288
<b>Other Income</b>	\$121,432	\$116,863
<b>Total realised Investment Income</b>	<b>\$1,120,807</b>	<b>\$861,080</b>

<b>Year on Year Net Unrealised Investment Income (\$'000)</b>		
<b>Asset Class</b>	<b>2020/2021</b>	<b>2019/2020</b>
Equity	1,958,719	-10,331
Bonds	133,192	-87,184
Other	9,578	-22,879
<b>Total</b>	<b>2,101,489</b>	<b>-120,394</b>

As highlighted in the tables above, the NIBTT's investment holdings in equity securities contributed mainly to the net unrealised investment gain over the period. The unrealised gains from this asset class of \$1.96 billion contributed to the total unrealised investment income of \$2.10 billion. Additionally, total realised investment income amounted to \$1.12 billion, with its key drivers being interest income from bonds (\$408.46 million), dividend income from equity holdings (\$339.96 million), and realised gain on the sale of foreign equities (\$201.30 million).

## **Conclusion and Acknowledgements**

Upon reflection on this past year, particularly in the navigation of the impacts on our operations resulting from the current global climate, I must acknowledge the steadfast and unrelenting support of the Board of Directors, Management team and the NIBTT staff. In such tumultuous and uncertain times, staff have displayed great tenacity and dedication to ensuring that our operations continued with minimal disruption, despite the COVID-19 regulations. Special commendation must be given to the hardworking staff of our Service Centres, who continued to serve the public as our proverbial vanguard throughout this pandemic. Their efforts and commitment to providing service to the public, at a time when the most vulnerable in society needed it most, has not gone unnoticed.

In closing, I must once again extend my heartfelt gratitude to all our stakeholders. Let us continue to work together with the common goal of achieving our shared vision.



**Niala Persad-Poliah**  
**EXECUTIVE DIRECTOR**