

# ANNUAL REPORT 2020



## Vision



To be the most trusted, respected, and loved public institution in the Maldives.

## Mission



The future income security and income stability of all our people are assured upon their retirement.

We endeavor to:

- Manage Maldives Retirement Pensions Scheme (MRPS)
- Deliver exceptional pension services
- Establish outstanding communication and awareness
- Set high standards and benchmarks for pension

## Core Values

### Integrity



Set remarkably high standards of honesty and transparency and preserve impeccable image nationally and internationally.

### Communication



Committed to openness and share frequently, simply and clearly.

### Team Spirit



Culture of lively debate, respect for the opinions of others, humility and a commitment to continuous learning and helpfulness.

### Innovation



Value people who generate, foster and present ideas and find new ways to interpret and understand surroundings and emerging trends.

### Excellence



Passion, dynamism and determination to deliver the best results for members and ensure every one operates at full capacity.

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 **2,925**  
Employers with active enrollments at end of year

 **102,689**  
Active Employees at end of year


 **1.1 Billion**  
Contribution to the MRPS


 **93 Million**  
Average monthly contribution to MRPS




 **102 Million**  
Total Pension Disbursed to MRPS members

 **1,328**  
No. of MRPS beneficiaries

 **15.5 Billion**  
MRPS Fund under management  
(Incl. Accrued Rights/ Recognition Bond)

 **1.4 Million**  
Pension contribution amount recovered from concluded legal cases

 **54,589**  
Registered Mobile App users

## Pension Office



Maldives Pension Administration Office ("Pension Office") came into existence following ratification of the Maldives Pension Act ("Pension Act") on 13th May 2009 by the President.

The Pension Office is an independent legal entity with perpetual succession, having a separate seal, possessing the power to sue and be sued in its own name and having the right to acquire, hold and dispose of movable and immovable assets in accordance with the law and to make undertakings in its own capacity.

### Key Functions

The Pension Act mandates Pension Office to carry out the following functions:



Administer and manage Pension Schemes established under the Pension Act



Provide Retirement Pension



Pay Old-Age Basic Pension



Formulate regulations, standards and guidelines to operate schemes established under the Pension Act



Conduct awareness programmes on schemes established under the Pension Act

In addition to the aforementioned functions, disbursing State Other Pension to beneficiaries are functions of the Pension Office.

### International Accreditations



ISO Certification - (ISO/IEC 27001:2013)  
Management of Information Security  
provision (6th March 2020)



ISSA Certification - ISSA Guidelines on  
Contribution, Collection and Compliances  
(edition 2016) - August 2020

## Message from the Chairperson of the Board



**Athifa Ali**  
Chairperson of the Board

As the Chairperson of the Board of Maldives Pension Administration Office, it is my pleasure to present you with the organization's Annual Report and the Financial Statements for the financial year ended 31 December 2020. I trust that this report will give an informative update on the operations of the organization and the Maldives Retirement Pension Scheme (MRPS), as well as a summary of the investment strategy and performance over the past year.

Pursuing on the Board initiatives to recruit an incumbent Chief Executive Officer to lead Pension Office to the next level of strategic development, Mr. John Grindall was recruited for the position in December 2020. John is a senior pension, insurance and actuarial professional with an exceptional track record of over 25 years in the field. With his extensive experience and expertise in pension products and investments, he has delivered substantial strategic and operational progress and value for all stakeholders. The Board believes that John is well qualified to lead the organization into the next phase of growth and enhancement of pension products and investments. On behalf of the Board of the Pension Office, I take this opportunity to extend a warm welcome and congratulations to John.

The most significant highlight for 2020 would be the impact of the COVID-19 pandemic and the cause for disruption it brought along to society and economy both globally and locally. Restrictions to global travel, introduced severe economic shocks given the reliance of the Maldivian economy on the tourism sector that cascaded to the wider economy, while health emergency enforced lockdowns and restrictions on social movements required new definitions on how we work, interact and serve.

Foresight in innovative investments over the decade to enhance service offerings, immensely enabled the Pension Office to utilize technological advancements to effectively transition to the social restrictions imposed by the

pandemic. The team supported by the Innovation & Technology Committee adapted swiftly and efficiently to working from home and the critical activities of the Pension Office continued to be carried out, supporting the delivery of key services. The Board has continued to contribute to the development of policies and strategies during 2020 in its role of assisting the management with the governance and administration of the Pension Office throughout this challenging period.

I am very pleased to report that the Pension Office made significant strides in advancing its strategic objectives in 2020, despite the additional efforts and considerations required to deal with the needs of the Pandemic. Of note:

- ◆ Engaging in our institutional investor capacity affiliation with Maldives Islamic Bank (MIB) further to their IPO which initiated the investment prospect, the Pension Office acquired the opportunity to nominate a Director to the Board of MIB, as per Article 41 of the Articles of Association of the Bank. In this regard, the Pension Office representative to the Board of MIB was appointed in May 2020.
- ◆ Addressing the best interests of members, significant changes were also brought to the regulations and internal procedures as a relief to the members of MRPS for the financial challenges resulting from the COVID-19 pandemic. This included providing relief for MRPS fines and the 3rd amendment brought to the Basic Pension Regulation to allow backdated payments as a solution for the challenges faced by the eligible people who turned 65 during the COVID-19 lockdown. The details of the amendments are deliberated on in the Board Report.
- ◆ The Board took initiative to review the existing Strategic Action Plan (SAP) and deliverable Objectives Key Results (OKR) in strengthening the operational effectiveness and quality of services provided to the public by the Pension Office. At the center of the strategy is a vision of a service-oriented pension fund, which provides outstanding, high quality services to our members and beneficiaries, wherever they may be located. The Board also recognises the need to enhance pension products and investments as a priority and in this regard, under the guidance of the Board, towards the end of 2020, the management kick started the strategic planning process.

- ◆ As a continuous process, the annual audits of the Pension Office and the MRPS were conducted as scheduled, related to which the Board reviewed the recommendations and the audit plans for the year. Furthermore, various other policies and procedures of the Pension Office were reviewed and passed by the Board. During the year progress has been made in strengthening the existing policies and enhancing the governance principles.

As we move forward, we are committed to operational excellence in line with the growth in the number of our participants, retirees and beneficiaries. As we embrace modernization in our communications and technology, we move towards a more responsive organization, better equipped to fulfil our commitment to our members. Similar to the past years the Board of Pension Office will continue to ensure that we adhere to the best practices of the governance framework and we continue to strengthen our services to the members of the scheme and to the general public. The important highlights of the year and the operational progress of the Pension Office will be elaborated more in subsequent sections of the report.

Given our priority is to deliver our members financial security in their retirement, our focus for 2021 will be to remain steadfast to pursue our strategic objectives. At a time when so many people are suffering worries and uncertainties about their livelihood and their financial security, our responsibility is to reassure those who depend on us, now and in the future, that we remain financially robust, that the delivery of their compensation will be uninterrupted and that the service we offer will be as excellent as ever. The Board would like to assure the public that we remain resilient to deliver improvements to the pension system and our services, with the broader objective of delivering value through our dedication and integrity to serve our members.

I take this opportunity to express my sincere appreciation and to thank Ms. Sujatha Haleem for her dedicated efforts in leading the team as the Acting Chief Executive Officer and the entire executive team for managing through these very unusual and difficult year and for completing the year-end statutory reporting despite the challenging circumstances of the COVID-19. Similarly, I wish to acknowledge the efforts of the executive management and staff of the Pension Office in achieving the organization's goals and targets as mandated. I also thank every member of our Board for their work, their commitment to the Pension Office and the support they have given me over

this past year. I would also like to convey my thanks to individual Board Committee members for their oversight function, ensuring that the Pension Office as the administering organization for the MRPS, carried out the obligations during the year in line with the Maldives Pension Act and good governance practices.

I would also like to extend the Board's gratitude to the Custodian of the fund and stakeholders of the Pension Office for their contribution and professional support in bringing Pension Office to where it is today and I look forward to continuing working closely with them in the future as we embark to enhance our service proposition.

In closing, I am happy and proud of the progress that we have made so far, and thank all for the continued support. I wish you and your loved ones good health and hope all are staying safe and well during these difficult times.

# Chief Executive Officer's Statement



**John Grindall**  
Chief Executive Officer

I am delighted to join Maldives Pension Administration Office and honoured to be part of the next chapter in evolution of Pension Office and Maldives Retirement Pension Scheme. Our organisation plays a vital role for the nation and our members:

## Pensions and financial protection

look after our people before and after retirement



## Pension savings

invested prudently, positive returns and invest to build the nation



## Pensions well governed

products suitable, value for money and good administration



## Members have information

guidance and advice to make well informed decisions



Despite economic turbulence in the pandemic, Pension Office and MRPS have performed well.

As supported by our strategic plan, this statement reflects on 2020 and outlines our ambition to offer better service to our 150,000 active, deferreds and pensioners into 2021 and beyond.

## Protection and Annuities

Board, CEO and Management are committed to offer annuities and disability protection to members in 2021. Our initial propositions will be simple, but be good value for money and pave the way for better benefits and more mature initiatives into 2022 and beyond.

Our plans for 2021, also include extension of MRPS membership to fisherman, farmers and making efforts to increase voluntary participation as key objectives.

## Contributions

Covid-19 led to declines in active members and new contributions of 5.8% and 5.3% respectively. We were comforted by contribution recoveries after sharp declines in April and May as tourism and other sectors strongly recovered. Our performance on contributions was positive and outperformed the picture on economic activities overall.

## Investments

International markets had a tumultuous year and volatility impacted investors. Our investments are defensive and concentrated in cash, government bonds and treasury bills. This meant that our overall fund returns were consistent with prior years, except for our Shariah portfolios which were invested in different assets for Shariah compliance.

Global interest rates have declined over recent years. So looking to the future, 2021 will see Board and investment team initiatives to evolve our investment risk appetite and investment framework. Our aim will be to widen the range of investments available to MRPS, enhance future investment returns and ensure our pension fund is recognised as active in investing in housing, infrastructure, public services and other assets vital to nation building.

## Value for Money

The Pension Office is funded by an annual administration fee of 0.6% to pay for our administration expenses, salaries, custodial services and commitment to customer innovation. Our strategic plan shows our expense performance is best in class and less than this fee. For 2021-2023, we intend to ensure our out-performance benefits members and communities i.e. lower annual fee, better retirement, disability and critical illness benefits or invested to help communities.

## Administration

COVID-19 has played an important role in showcasing the importance of technology. In 2020, daily operations for our members transferred online and only a few worked physically in the office at our secure Call Centre. Business

continuity plans were activated and our administration services continued to deliver. Our wider achievements for 2020 included:

- ◆ Formal recognition of ISSA compliance on contributions and collection
- ◆ Re-engineering of the employer portal used by employers to access Pension Office systems and to manage their employee enrollment, contribution declarations and submissions
- ◆ Online services to members without service interruptions

For 2021- 2023 more administration initiatives are planned. Like annuities, disability, data protection and making sure the right people get the right benefits at the right time.

## Member Information, Guidance and Decisions

Pension Office continually strives to be the most trusted, respected and loved public institution in the Maldives. In 2020 our staff worked hard to engage virtually with members. Social media platforms were used to disseminate information and news on pensions in the Maldives.

For individuals and families, pensions offer significant protection later in life. Pension Office makes significant contributions to communities to promote financial education. Consistent with this Board, CEO and Management have an active agenda to ensure scheme members have sufficient financial information to make informed choices on investment funds, contributions, annuities and drawdown in their working life and during their retirement journey.

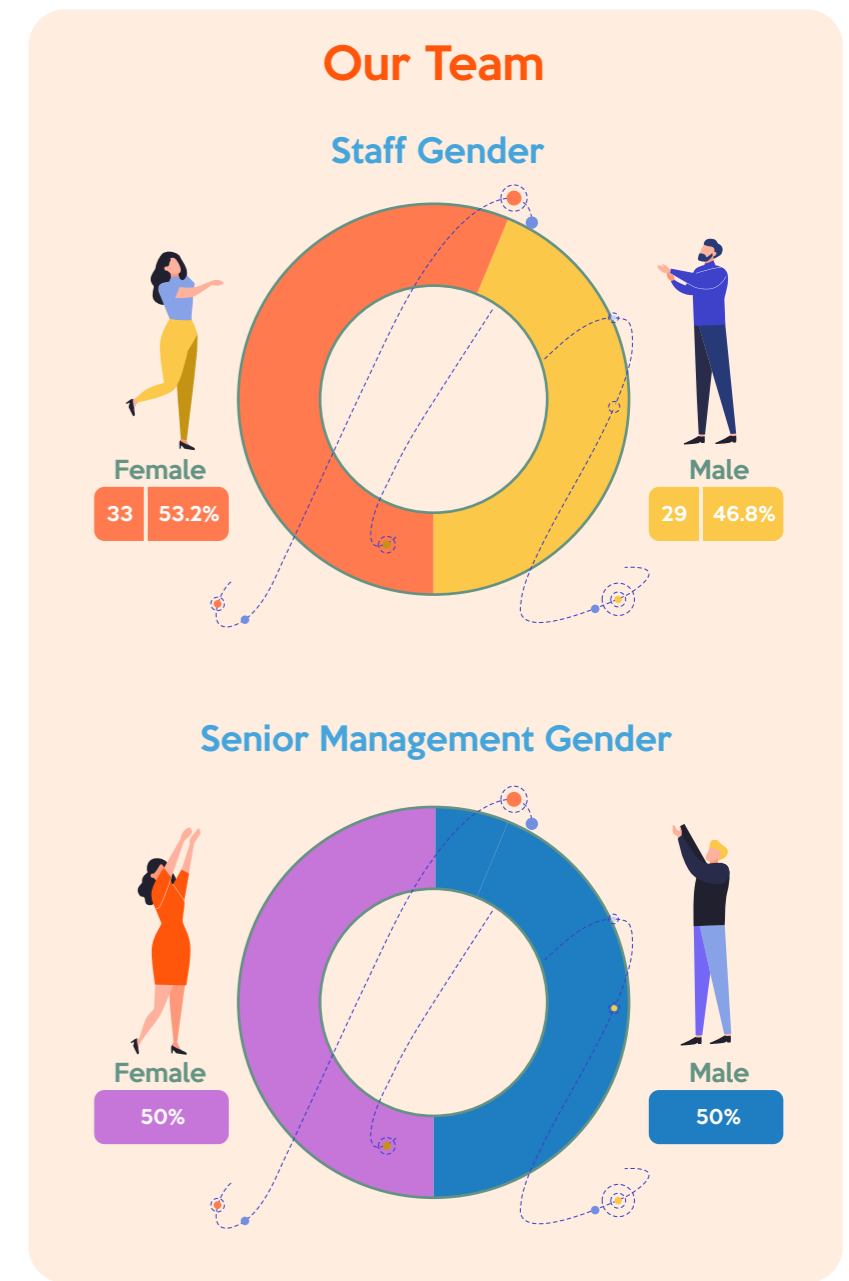
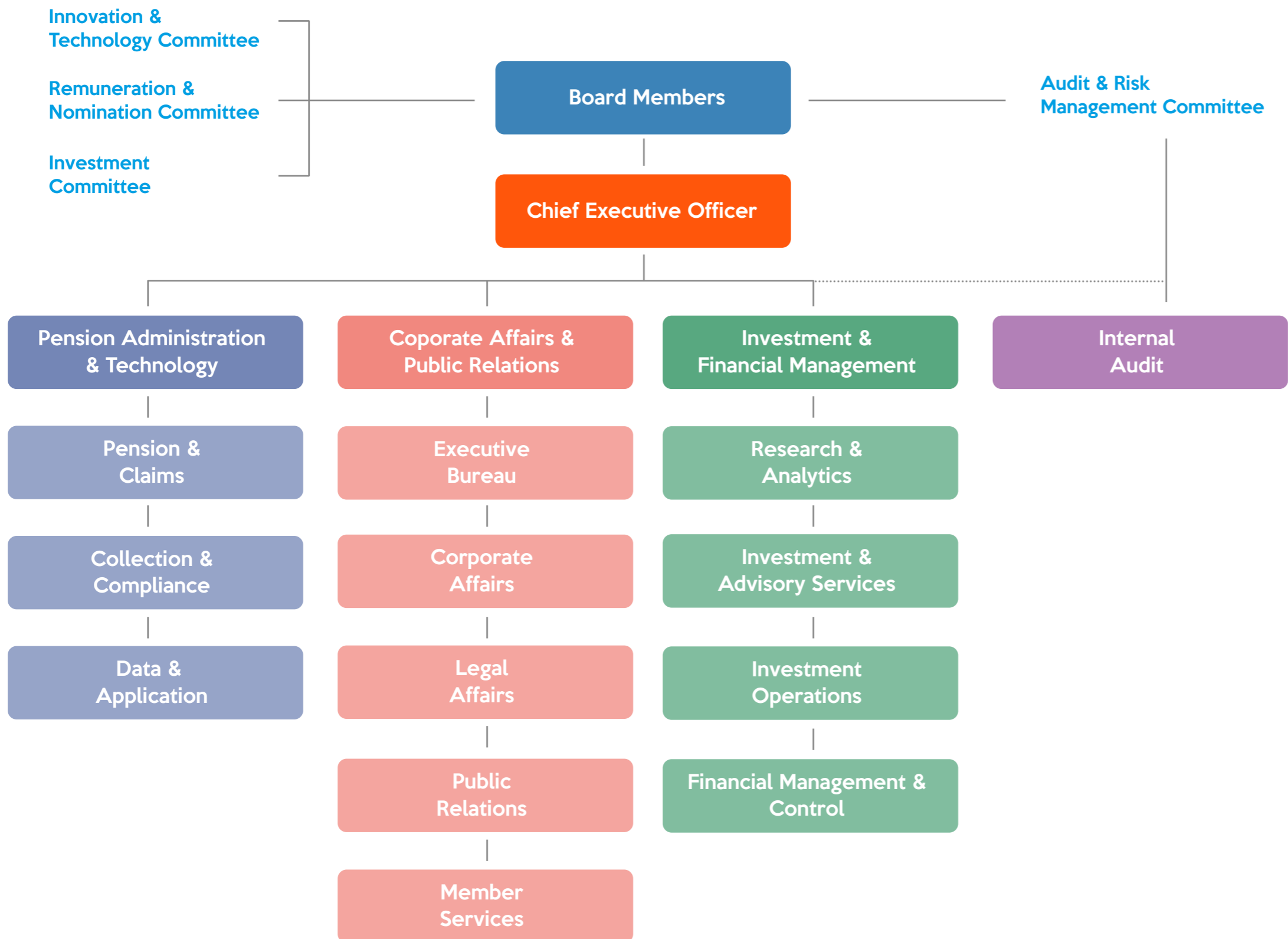
## Concluding remarks

Pension Office has worked tirelessly in 2020 to fulfil our vision and mission. As we complete 2021 and a challenging year ahead, there will be obstacles to overcome; both in relation to our strategic plans and as the future has become ever more unpredictable. In pursuit, we stand affirmative to achieve excellence in pension services and financial stability for a secure future.

It is the role of the top management to improve governance and ensure that the organization delivers efficient and high-quality pension administration services. We were pleased that we were able to successfully implement the business continuity plans in response to COVID-19 and that services were maintained without any major disruptions to addressing member needs.

My sincere appreciation goes to the Chairperson of the Pension Office and our Board for their trust, contribution and support, without which our achievements would not be possible.

# Organisation Structure



## Pension Office Financing

As per Section 7 (a) of the Pension Act, the Pension Office is financed through an administrative fee charged on the RSA balance of MRPS members. Depicted below are the administrative fee, annual income and annual expenditure for the year.

  
**Administrative Fee**  
**0.60%**

  
**Annual Income**  
**MVR 67,227,203**

  
**Annual Expenditure**  
**MVR 36,574,769**

A number of planned initiatives and activities of 2020 were rescheduled and carried forward to 2021 due to COVID-19 pandemic.

## Scheme Administration Report

Under the Pension Act, Pension Office administers four pension schemes, namely:

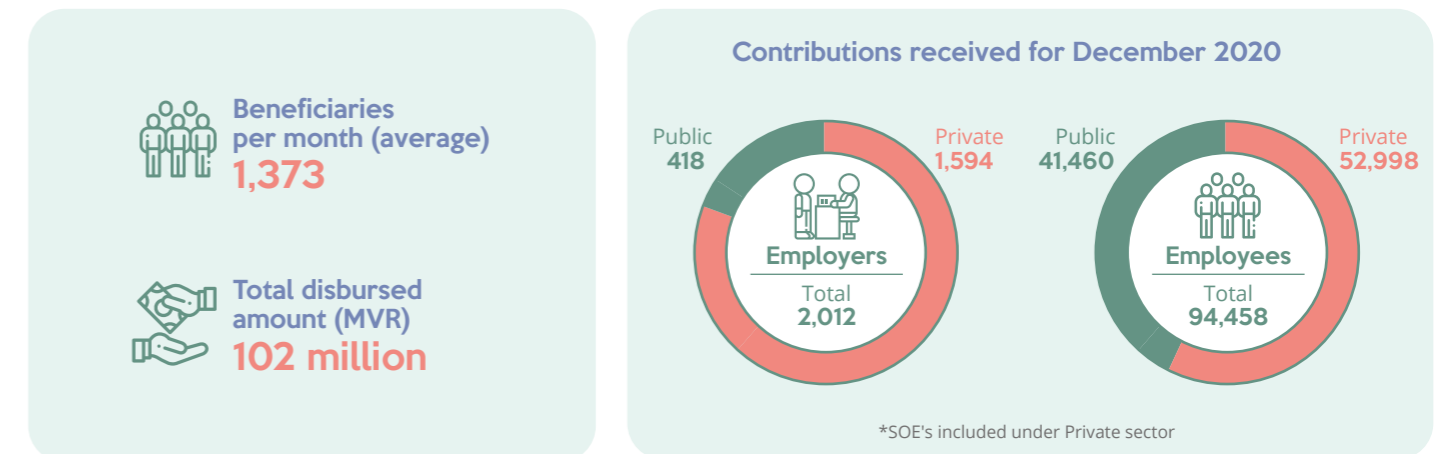
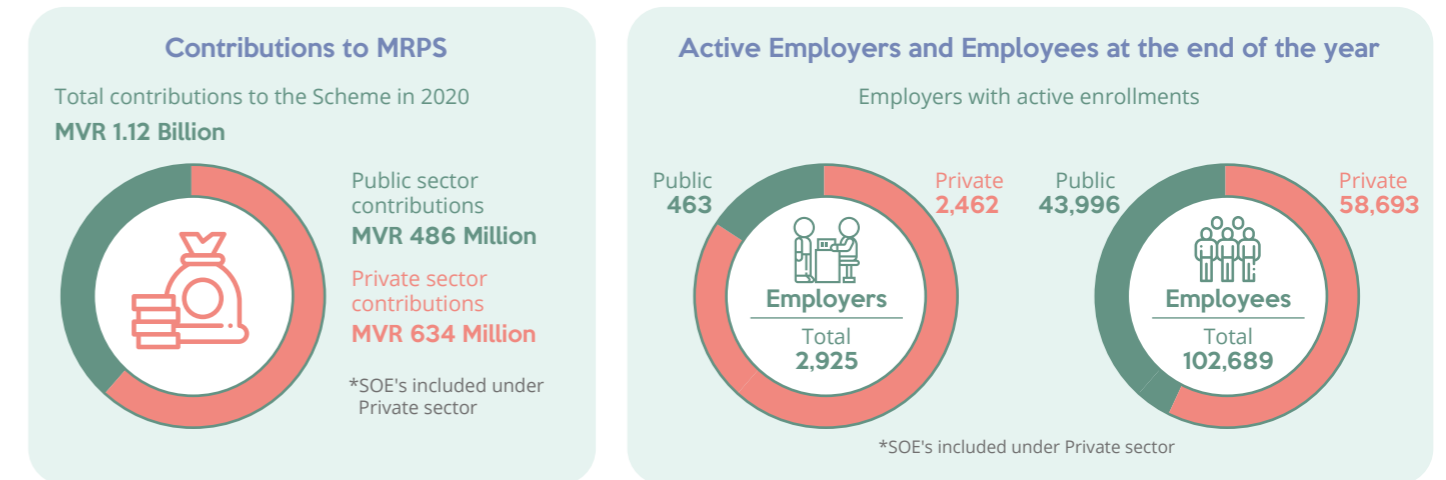


Additionally, Pension Office disburses State Other Pension under an arrangement with the Ministry of Finance.

## Maldives Retirement Pension Scheme (MRPS)

The primary objective of MRPS is to ensure individuals save during employment, to cater for their livelihood in retirement and ultimately creating financial independence. MRPS is a defined contributory pension scheme administered with a contribution of 14 percent of the pensionable wage, contributed equally by both employees and employers. The members of this scheme receive investment returns in addition to the contributions.

Following are the details of contributions, enrollment of employees and employers in MRPS as at 31st December 2020.



### Monthly MRPS Payouts

Pension Month	Beneficiaries	Payouts
January	1,369	7.9 Million
February	1,367	9.2 Million
March	1,412	9.3 Million
April	1,387	7.4 Million
May	1,367	7.1 Million
June	1,409	8.3 Million
July	1,376	8.9 Million
August	1,369	8.2 Million
September	1,372	10.9 Million
October	1,353	7.8 Million
November	1,363	8.7 Million
December	1,328	8.8 Million

## Old-Age Basic Pension Scheme (BP)

Old-Age Basic Pension Scheme (BP) is designed to provide financial security for individuals who had no access to pensionable income prior to retirement age. This scheme is a lifelong pension benefit, fully funded by the Government, provided to all Maldivian citizens who have reached the age of 65, subject to meeting the eligibility criteria of the scheme.

### Monthly BP Payouts

Pension Month	Beneficiaries	Payouts
January	17,828	84.2 Million
February	17,946	85.0 Million
March	18,036	85.5 Million
April	18,069	85.4 Million
May	18,071	85.4 Million
June	18,115	85.8 Million
July	18,171	86.2 Million
August	18,225	86.4 Million
September	18,259	87.6 Million
October	18,301	87.0 Million
November	18,309	86.8 Million
December	18,341	87.2 Million

**Beneficiaries per month (average)**  
**18,139**

**Total disbursed amount (MVR)**  
**1.03 Billion**

## Collateralization of RSA Balance for Housing Finance

This scheme is administered in collaboration with mortgage finance providers. Under this scheme, members are able to pledge their MRPS balance as an equity component for purchasing homes through such financing schemes.

**Applications Received in 2020**  
**41**

**Members who collateralized their funds in 2020**  
**67** (includes Joint membership)

**Total collateralized amount in 2020**  
**12.06 Million**

### Collateralized amount based on financial institutions

Financial Institution	Members	Collateralized Amount
MIB	14	2.28 Million
HDFC	3	462,618
BML	47	8.83 Million
MCB	3	488,106
<b>Total</b>	<b>67</b>	<b>12.06 Million</b>

In order to assist overcoming the challenges imposed by the COVID-19 pandemic on the economy, financial institutions permitted moratoriums on loans to allow extension of repayment periods. Accordingly, Pension Office collaborated with financial institutions where members having housing loan facilities pledged through their MRPS funds were applying for the moratorium.

## Utilization of RSA Balance for Hajj

This scheme approves the utilisation of member's (MRPS) pension fund balance towards performing obligatory Hajj pilgrimages. This scheme is administered with parties approved by the Ministry of Islamic Affairs.

With the restriction on Hajj pilgrimage due to COVID-19, no funds were released under this scheme during the year. However, applications of members requesting to reserve funds to secure Hajj allocation through Hajj Corporation were processed.

**No of Approved Applications in 2020**  
**74**

**RSA Reserved Amount in 2020**  
**4.14 Million**

## Disbursement of State Other Pension

Under a Memorandum of Understanding executed between the Pension Office and the Ministry of Finance, State Other Pensions are disbursed by the Pension Office since April 2011.

### Monthly Other Pension Payouts

Pension Month	Beneficiaries	Payouts
January	7,189	24.7 Million
February	7,174	24.5 Million
March	7,189	27.3 Million
April	7,218	23.4 Million
May	7,183	24.1 Million
June	7,172	23.5 Million
July	7,189	24.1 Million
August	7,152	23.5 Million
September	7,140	24.6 Million
October	7,157	23.5 Million
November	7,132	25.0 Million
December	7,131	24.1 Million

**Beneficiaries per month (average)**  
**7,169**

**Total disbursed amount (MVR)**  
**292 Million**



## Activity Report

Various activities are undertaken by the Pension Office in addressing the administrations and scope of services provided. The main activities undertaken by respective departments during the year 2020 are outlined below.

### Compliance

Compliance and Collection Department is mandated with receiving MRPS contribution from employers and reconciling contribution to RSA of members, ensuring employer's compliance with Pension Act and regulations and taking action against non-compliers.

#### Non-compliant notices issued in 2020

Non-Compliance Notification	First	Final	Total
Unregistered employers	474	340	814
Not enrolling employees	177	100	277
Not declaring contributions	645	248	893
Not making pension contributions	1,198	504	1,702
<b>Total</b>	<b>2,494</b>	<b>1,192</b>	<b>3,686</b>

Numerous inspections were carried out to ascertain employers compliance with the Pension Act and relevant regulations during the year. Following are the details of such inspections.

Planned and ad hoc inspections	Door to door inspections	Total inspections	Number of cases handed to Legal Affairs to initiate legal action
<b>37</b>	<b>70</b>	<b>107</b>	<b>26</b>

### Legal Action

It is the key responsibility of the Legal Affairs Department to provide legal advice, represent the Pension Office at court of law, draft laws, regulations and contracts and communicate with state institutions on legal matters.

#### Legal action against non-compliant employers

Due to the prevailing pandemic, the Pension Office consciously adopted a moderate approach in taking action against non-compliant employers. In this regard, employers facing financial difficulties were encouraged to seek payment extensions to settle outstanding pension contributions.

As a result, new cases initiated against non-compliant employers reduced considerably.

Number of new cases received in 2020  
**26**

Pension contributions to recover  
**1,075,327.46**

#### Actions taken against the 26 non-compliant employers:

- 11** employers settled out of court by making outstanding pension contributions.
- 07** cases against employers were registered and proceedings held in Civil Court.
- 06** cases against employers were not filed in court due to obtaining payment extension.
- 01** case was in the court registration process.
- 01** case file was returned to the Collection and Compliance Department due to address related issues.

Additionally, 20 judgement enforcement cases were submitted to the Civil Court during the year, seeking to recover MVR 1,077,257.73

Including new claims initiated during the year and on-going cases from past years, a total of 35 cases were concluded in 2020. Pension contributions amounting to MVR 1,477,195.52 were recovered from the concluded cases.

### Court cases against the Pension Office

#### – New Cases Filed in 2020

A total of 02 cases, 01 case in the Civil Court and 01 case in the Fuvahmulah Magistrate Court was filed against the Pension Office in 2020. The case filed in Civil Court regarding Basic Pension benefits was withdrawn by the claimant after holding discussions with the Pension Office in the dispute resolution phase of the Civil Court.

The case filed in Fuvahmulah Magistrate Court was ongoing when the year ended. This case relates to a claim for backdated payment of Basic Pension on account of the claimant changing the date of birth.

#### – High Court of the Maldives

A Civil Court decision in favour of the Pension Office was appealed in High Court on 23rd January 2017. This appeal relates to Basic Pension and the discontinued Senior Citizen's Allowance. The High Court concluded the appeal on 20th February 2020 supporting the Civil Court verdict.

#### – Magistrate Court

In addition, a case against the Pension Office submitted to the GA. Villingili Magistrate Court on 04th December 2018 was finally closed on 26th January 2020. In this case, the plaintiff claimed to not receive retirement benefits as per the law. However, the court held that the Pension Office satisfied legal requirements for disbursing retirement benefits.

#### – Supreme Court of the Maldives

A constitutional case submitted against the Pension Office on 22nd July 2014 by the Civil Service Commission in the Supreme Court, concluded after more than 6 years on 26th November 2020. This case concerned the determination of Accrued Rights for individuals receiving a 20 or 40 year accrued service period based pension.

Discussions were held between the Civil Service Commission, the Pension Office, the Attorney General's Office, and the Ministry of Finance regarding this Supreme Court case. In the meeting, the Pension Office presented statistics to demonstrate that individuals were not disadvantaged in the determination of Accrued Rights. Subsequently, the Civil Service Commission decided to withdraw the case.

### Court hearings

The frequency and manner of conducting court hearings changed drastically in 2020. An increasing number of court hearings were held via audio or video conference, and the number of court hearings decreased significantly.

In 2020, a total of 250 court hearings of cases involving the Pension Office were scheduled. The majority of cases were held in the Civil Court. In addition, court hearings were scheduled in the Supreme Court, High Court, GA. Villingili Magistrate Court and Fuvahmulah Magistrate Court.

### Legislative and Regulatory Developments

No changes were made to the Pension Act in 2020. The most recent amendments introduced to the Pension Act, the 4th and 5th amendments were introduced in 2019, related to the utilization of pension funds to pay for obligatory Hajj.

The Pension Office deliberated on ways to assist individuals and employers in light of the pandemic situation. In this regard, measures were implemented to waive off fines of employers who failed to make pension contributions before the deadline due to operational issues.

Further, the Board of Pension Office decided to revise the Regulation on Basic Pension to Older Persons (BP). This amendment aimed to enable backdated payments to individuals who reached the eligible age for Basic Pension during the Public Health Emergency and were unable to submit the requisite form due to disruptions to banking and public services.

Introduction Date	Regulation
26th August 2020	3rd Amendment to the Regulation on Basic Pension to Older Persons

## Public Relations

Public Relations Department is responsible for conducting campaigns through various mediums to raise awareness about the pension system, working on stakeholder relations, organizing events, updating Pension Office website and social media platforms. Details of the activities conducted by PR for the year 2020 are as follows:

### Awareness and Information

**8** Information and awareness sessions  
**659** Private and public sector employees

The sessions focused on information related to Maldives Retirement Pension Scheme, ways to access retirement savings account details, mechanism for lodging complaints and ways to seek information.

Additionally, Pension Office calendar for 2021, was designed and developed with important awareness messages of the MRPS and the importance of financial independence for a happy retirement.



### Online Panel Discussion

An online panel discussion was held on areas related to MRPS that are often misunderstood. The panelists included experts from specialized areas related to pensions and social protection systems.

viewed by more than **12,000** people



### Media

A total of **31** newspaper articles were published

To create awareness amongst the general public on the retirement pension scheme, information was disseminated through TV, Radio and local newspapers.



### Social Media

Emphasis was given during 2020, to utilize popular social media platforms such as Facebook, Twitter, Instagram and LinkedIn to disseminate information and news related to the pension system of Maldives.

**137** posts through social media platforms



### Investor Week

Pension Office participated in the activities to mark the World Investor week organised by the Capital Market Development Authority. Information related to MRPS was disseminated to participants of this event.



## Member Services

Member Services Department is responsible for communicating with individuals seeking information through the call center and the front office, entering documents and forms into the cloud and Koshaaru system, and issuing Retirement Savings Account statements of MRPS members. Important deliverables of the department in 2020 include:

Major tasks of Member Services	Total
Tickets initiated	13,126
Tickets resolved	12,231 (93.2%)
Mobile App users newly registered	27,831

## Information Technology

Information Technology Department is responsible for management of "Koshaaru" system, other internal systems and databases, maintaining IT cloud infrastructure, providing technical assistance, Management Information System (MIS) reporting, developing software, providing software related training and maintaining the Pension Office website and applications.

Significant works in the IT field were executed by the Data and Application Department of the Pension Office in 2020. Major developments during the period were as follows:

### Development of Employer Portal

This software has been developed, tested, deployed in the production environment and is planned to be rolled out in the year 2021 to all the employers. The software comes with state-of-the-art features added to the Statement of Pension Contribution (SPC) submission process with a number of added functionalities. The major improvement brought by this software is the replacement of the Koshaaru SPC submission process by simplifying all the existing processes. Notable features of the development include:

- User centric focus allowing registration of Employers,
- Employee enrolment and terminations,
- Contribution submission, adjustments, voluntary contributions
- Dashboard allowing payment slip upload, documents download and chatbot
- Administration of configurations, reports and user management
- Schedule to submit MPAO SPC via this portal
- Automate employer registration process through integration with the MED system.

### MPAO Mobile APP - Release Version 2.7.5

Improvements to the MPAO Mobile application addressed the following features:

- Enhanced login features, addresses automatic log-out, improved chatbot
- Pension Application requests, portfolio change requests features added
- Dhivehi RSA statements, history of documents
- Bank account and contact change requests
- Document verification, remote bug-fix deployments

### Member Portal - New Release

Enhancements to the Member Portal developed during the year included:

- Improved RSA Statement
- Generate payout history as a downloadable document
- Generate contribution history as a downloadable document
- Availability of history of all the documents generated
- Chatbot feature added to the Member Portal
- Death reporting features added to the Member Portal
- Voluntary contribution feature added to the Member Portal

### Meeting Management Software - First Release

Internally the team developed a platform that enables:

- ◆ Schedule meetings for both internal and external functions
- ◆ Meeting groups to schedule routine meetings
- ◆ Invite for meetings online and generate notifications
- ◆ Record meeting decisions through portal for productivity
- ◆ Maintain documents related to meetings within the portal
- ◆ Manage and maintain meeting attendees for record keeping

### Google CloudRun - Implementation

During the year Pension Office adopted a new infrastructure technology that enables:

- ◆ Migration of inhouse developed software to new infrastructure
- ◆ Utilize Google Cloud Platform in a server-less manner and offload the queue work to the platform
- ◆ Staging level services moved from main servers to cloud run stateless services
- ◆ Implemented and allowed continuous deployment on staging servers

### Internal Audit

Internal Audit function is overseen by the Chief Internal Auditor. This function was established to audit different areas of the Pension Office, report audit findings to CEO and Board Committees, and to oversee implementation of audit recommendations. Internal Audit continues to be a significant pillar within the governance framework at the Pension Office.

#### Mandate

- ◆ To provide an independent assessment on the adequacy and effectiveness of internal controls and provide recommendations for continuous improvement.
- ◆ Facilitates detection of operational inefficiencies and non-compliances.
- ◆ Conduct investigations on ad hoc basis as requested by management/ARMC.

#### Annual Audit Plan

Annual Audit Plan outlined the internal audit activities to be performed by Internal Audit during 2020. The plan was prepared using a risk based approach to ensure that areas and activities specific to Pension Office with the greatest risk are identified for consideration to be audited including input from management and ARMC. The major reviews identified included processes under RSA collateralization, other pension benefit, investment operation and compliance and enforcement activities.

### Dhivehi Website - Updates

Functional developments to the Dhivehi version of the website included:

- ◆ Updates to the static content outlined in Dhivehi
- ◆ Document verification feature to enhance functionality
- ◆ Address public relations requirements through better design

### Migration from Local GIT to GitHub

Pension Office software repositories were migrated to GitHub to allow for:

- ◆ Support services as fixing Koshaaru operational issues, other applications related issues and bug fixes through community support
- ◆ Enhance technical and operational assistance required for daily reconciliation, SPC related activities and pension payout related activities
- ◆ Data preparation for different Application Programming Interface (API) and design and development of data pipelines required for local API
- ◆ Provide technical assistance, generate reports and statistics

#### Delivery of internal audit program

During 2020, 2 audits were undertaken as part of the programme of audits and 2 audits were transferred from 2019. Those audits completed included 2019 carried forward audits of the procurement process and utilizing RSA for Hajj claims. Additionally from year 2020, reviews completed were collateralization of RSA for housing purchase process and audit of other pension benefit payout processes. By the end of the reporting period, 2 audits that were work in progress included, review of

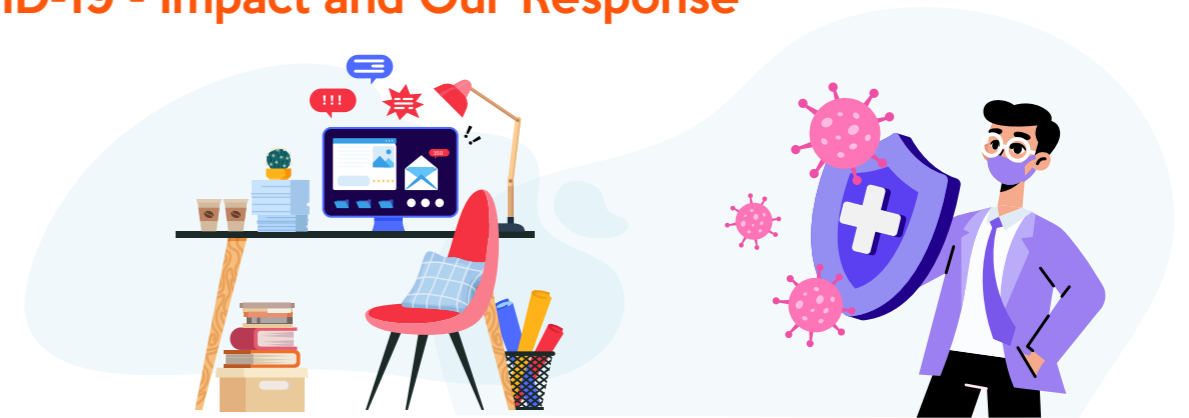
compliance and enforcement activities and investment operation. The audit findings in respect of each review, together with audit recommendations for actions and management responses on control issues as set out in detailed reports were presented to ARMC during the course of the year.

### Outstanding Issues and Follow up

Following up on outstanding issues is a required essential element of the audit process. The Standards for auditing require the auditor to determine if management has taken appropriate action regarding issues disclosed in the audit reports.

Internal Audit coordinated with management to follow up on outstanding items throughout the year based on management's target completion dates. Significant progress was made during 2020 in addressing and closing out audit recommendations requiring further actions. The update report was submitted to the appropriate level of management and ARMC.

## COVID-19 - Impact and Our Response



COVID-19 pandemic declared by the Government in March 2020 and the following state of public health emergency, implied the Pension Office commenced working from home measures from 28 March 2020. Working from home remained to be the service mode for the majority of the year, following the guidelines placed by the Health Protection Agency (HPA). Subsequent relaxations from HPA on gathering rules, allowed the Pension Office to return to routine working from office schedules from 23 December 2020.

Despite working from home, Pension Office ensured all services were made available without disruption, fulfilling to remain in service throughout the period by reaching out to the public via online platforms, ensuring staff were equipped to serve remotely and prioritizing safety. Given the adoption of remote working practices, challenges did spring initially such as with the smooth functioning of the call-centre due to technical difficulties; requiring public queries to be addressed through live web-chat, email communications and attending to queries made through messaging platform Viber. However, from May 2020 onwards the entire functions of Pension Office were successfully implemented to work remotely, allowing all staff to effectively work from home.

Reflecting on our services, a considerate approach was adopted towards pursuing actions against non-compliant employers during the year in acknowledging the disruptions to normalcy. Identified employers facing financial difficulties were encouraged to settle outstanding contributions through payment extension procedures. Reaching out to further assist individuals and employers, fine waivers were granted for those making pension contributions passed-due the deadline on account of the prevailing operational difficulties. Following are the key operational decisions and activities carried out that are related to COVID-19 response measures.

### Other key development activities

Internal Audit continued the initiative to improve the quality of internal audit activities during 2020. During the review period, Internal Audit began the initiative to establish a quality assurance and improvement program. The aim was to provide a formal structured approach to ensure quality in internal audit activities and demonstrate compliance with internal auditing standards of professional practice.

### Risk based regulatory inspection by CMDA

During the reporting period, apart from internal audit independent appraisals, annual onsite risk based inspection was carried out by CMDA. Key areas assessed by the inspection included operational risks, investment risks, risks to member data and public awareness. The inspection suggested a number of control and process improvements.

### 3rd Amendment to the Regulation on BP

Basic Pension Regulation was amended by the Board of Directors to enable backdated payments to eligible individuals who were unable to submit the requisite forms due to service disruptions within the economy.

#### Compliance Leniencies

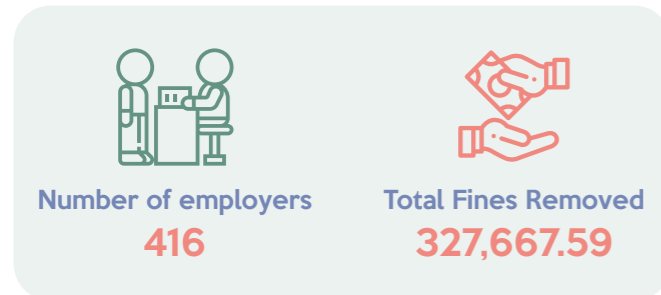
- ◆ Actions against non-compliant employers were temporarily put on hold or delayed from March 2020.
- ◆ Notifications to non-compliant employers were not served from March to August 2020.
- ◆ No new employers were added to the non-compliant employers list on the website from March to October 2020.
- ◆ No new legal action initiation requests or resubmission requests were sent to Legal Affairs from April to October 2020.

#### Payment Leniencies and Fine Removal

Part payment arrangements were made with employers who requested for payment extensions. Part payments arrangements made with 104 employers between March to December 2020.

For employers who had operational difficulties in making submissions or payments, late submission and payment fines were removed on request of the Employer.

#### Fine Removals from March - December 2020



Further, Pension Office collaborated with the Ministry of Economic Development and Male' City Council with the efforts for verifying businesses, by identifying employers and their staff details to ensure applicable businesses were issued permits. Further, on the request of SDFC, for the purpose of verifying employer information to provide special stimulus packages to small businesses, a non-disclosure agreement was signed on 09 April 2020.

Additionally, our IT staff volunteered in contributing to the works of NEOC and HEOC efforts, by developing technology solutions to assist in their operations.

### Impact on Maldives Retirement Pension Scheme

As the COVID-19 pandemic unfolded, the impact of the crisis on employment was immediate and widespread throughout the economic sectors with the complete shutdown of the Maldives borders in the end of March and the subsequent lockdown measures imposed during April in the Greater Male' Region. The key impacts on employment observed during the initial stages of the crisis was the income loss to the workforce from terminations, and complete pay cuts or partial reduction in the pay. Following the expected increase in the unemployment and reduction in the wages, Pension Office took immediate actions to mitigate the risk of the pandemic on MRPS by assessing the liquidity risk to the scheme by sudden fall in the contributions. After the assessment, Pension Office forecasted a significant drop in the contribution received by members, especially during the initial months following the border closure and lockdown of the pandemic (April-June). As a prudent measure, Pension Office created a liquidity reserve to mitigate any unforeseen liquidity risk that may arise from the reduced contributions (details of the measures undertaken are outlined in the Investment Committee Report).

Despite the negative outlook on contribution, the actual fall in contribution did not exceed the anticipated decline and the contribution received by the MRPS members for the year 2020 totaled MVR 1.1 billion, which represented only a marginal decline of 5.3% compared to the previous year (2019: MVR 1.2 billion). The most significant decline in the contribution was observed at the peak of the pandemic (April), with the lowest contribution received during the year of MVR 77.8 million for the month of April. This represented a monthly fall in contribution of 23.6% and an annual decrease of 19.0% compared to the corresponding month in 2019. Also, the highest contribution received for the year was MVR 105.0 million in June, which indicated a monthly increase of 28.7%, and a year-on-year increase of 6.8%. On average MRPS collected an amount of MVR 93.5 million during the year.

Regarding the distribution of contributions by sector, 57% of the contributions were received from the Private sector (SOE's included under Private sector) and the remaining 43% was received from the Public sector. Irrespective of the imposition of the COVID-19 related reduction in the wages of the public sector employees by the Government, the contributions received by the sector increased for the year by 5.0% (2020: MVR 487.0 million) in comparison to previous year (2019: MVR 463.9 million). The impact of the pandemic on employment and wages were observed to a greater extent from the contributions collected from the Private sector, which demonstrated a fall in contributions by 11.9% (2020: MVR 634.6 million) compared to 2019's collection of MVR 719.9 million.

## Outlook

Pension Office prudently embark on new strategic initiatives and strengthen existing services to enhance member benefits and ensure social security. Following are the major endeavours currently underway for the year 2021:

#### Improving member returns through prudent diversification options

Work is currently in progress towards investing MRPS funds beyond the current portfolio of assets. This initiative is concurrent with the work towards restructuring the legal and risk management framework currently in place. Hence, as the need for local investments are large, this move towards diversification of investments is expected to increase the return for MRPS members. Further, this initiative would strengthen the relationship with key national stakeholders in the efforts towards re-building the economy amidst the COVID-19 pandemic.



#### Establishment of retirement annuities

In order to empower members on retirement choices that best fit their needs, attractive and feasible annuitization options are currently being explored and in line to be introduced for the members.



#### Commencement of the scheme on disability and critical illness

The long-standing work on establishment of disability insurance scheme is expected to commence during this year. This scheme would assure income protection for members in instances of impediments related to disabilities and critical illnesses.



#### Development of Koshaaru related processes by inhouse development team and integrating with Pension Office information Management System

Koshaaru is the application used to manage processes related to pension contributions and payouts. This development process will be initiated in the second quarter of 2021 and is expected to be completed by the end of 2022.



#### Organizational Review

Efforts are afoot in strengthening the efficiency of operations through cost reductions and strengthened governance mechanisms. Thereof, implementation of risk management frameworks and operational effectiveness at all areas of the business are key priorities for the year 2021.



# Capital Market and Financial Sector Highlights

## Economic Outlook

The impact of COVID-19 spread through the Maldivian economy, with the imposition of travel bans and travel restrictions from mid-March and a declared state of emergency which continued till year end in Maldives; 2020 ended with a historic decline of 18.6% (29.3% - MMA, 2020) in Real GDP for the Maldivian economy - indicating the worst performance according to IMF data dating from 1980. Notably, the tourism sector along with transport and communications recorded negative growth and similarly for primary and secondary sectors.

Given the reliance on the tourism sector, the pandemic implied severe consequences on the local economy during 2020 in aspects compared to 2019, such as the decline in Government revenues and an increase in government debt in proportion to GDP. Though restrictions on economic activity contributed towards reduction of certain expenses, there was an increase of 5.6% in central Government expenses, on account of capital expenditure items (increasing by 27.9%) and increase in financing costs, resulting in a Government debt level representing 121% of GDP at year end.

Government policies to combat the pandemic involved, island wide lockdowns and a border shutdown between 27 March to 15 July, impacting economic activity and deteriorating performance indicators as government debt to GDP ratios and widening of fiscal deficits. Consequently, interventions at fiscal and monetary policy levels were made. Impact of such measures imply significant debt commitments in the medium term, imposing challenges on the foreign currency exchange mechanism. Concerns relating to levels of government debt were addressed at The People's Majlis, where parliamentary sessions deliberated on the situation.

Inflation as reported by MMA stood at -1.4% (indicating a deflation) for the year (while IMF indicated inflation to be 0.4%). Steady decline in prices across information and communication, followed by housing, water, electricity, gas and other fuel, together with transport and household furnishing expenses, recorded continuous declines through 20Q2 and 20Q3 (MMA, 2021).

## Summary of Capital and Financial Markets

COVID-19 has had a profound impact on society and economy, both locally and globally.

Capital market activity represented by trading on Maldives Stock Exchange (MSE) witnessed an exponential increase compared to 2019, considering the quantities of shares traded and increase in value of trades (by 97%), contributed mainly by finance industry investments (from insurance and banking sector) equities. The overall MASIX index reflected an increase of 0.1%.

During the year 2020, there were no initial public offerings on the MSE and similarly no new investment opportunities were offered on public investment platforms.

Addressing the unfolding economic situation amidst the COVID-19 pandemic, MMA effected revisions to minimum reserve requirements and initiated currency intervention measures - which included facilitation of IMF borrowings and arranging currency swap agreements on MVR exchange. Additionally, MMA imposed restrictions on the dividend distribution policies of banks, stating concerns over the economic outlook.

Banking sector's total assets in 2020 represented an increase by 21.3% against 2019, with increases in loans and advances, deposits and foreign liabilities. Financial soundness indicators on regulatory capital measures represented improvements compared to 2019 and the non-performing asset ratios did not indicate consequent weaknesses. Profitability outlook for the sector is indicated to decline during 2021, based on moratoriums given to customers during 2020 and pandemic relief loans issued for businesses at concessional terms.

Interest rate changes during 2020 compared to 2019 include reduction in commercial bank lending rates to the public sector in local and foreign currency and reduction in interest rates on local and foreign currency time deposits. Commercial bank interest rates offered on transferable deposits reflected an increase in local and foreign currency, while no interest rate movements were reflected across Government treasury bills or MMA offered standing.

# MRPS Investment Report

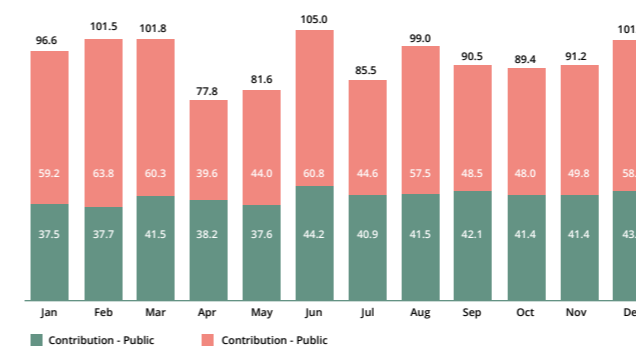
## Contribution and Pension Payouts

During the year, as Contribution the scheme collected a total of MVR 1.1 billion, which is a decline of 5.3% compared to the previous year (2019: MVR 1.2 billion) and the Pension Office paid a total pension of MVR 102.5 million to retirees. This is the highest recorded pension payout by the scheme, with an increase of 13.0% relative to the pension paid out in the previous year (2019: MVR 90.7 million). On average monthly pension payout accounted for MVR 8.5 million.

### Contributions received for the year

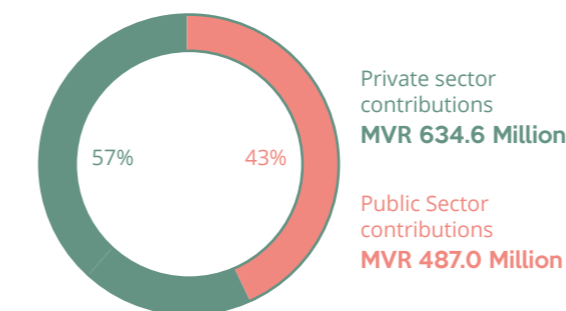
MVR, Millions

Total Contribution 2020:  
MVR 1.1 billion



### Contributions received for the year

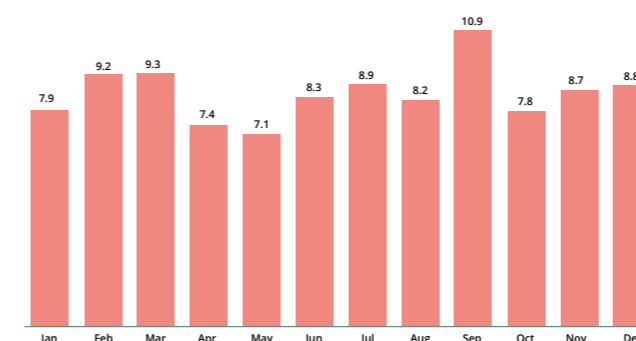
MVR, Millions



### Pension payout distributed to members for the year

MVR, Millions

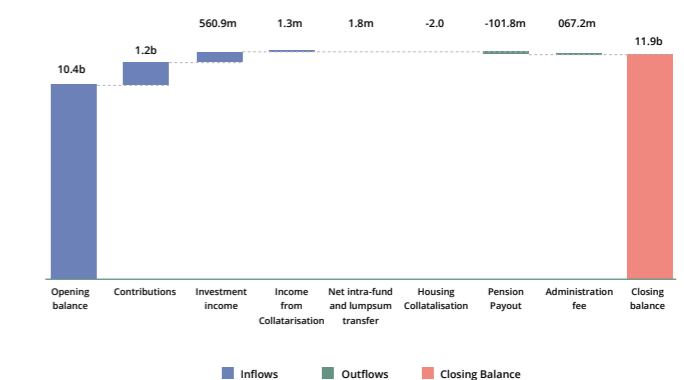
Total Pension Payout 2020:  
MVR 102.5 million



## MRPS Performance

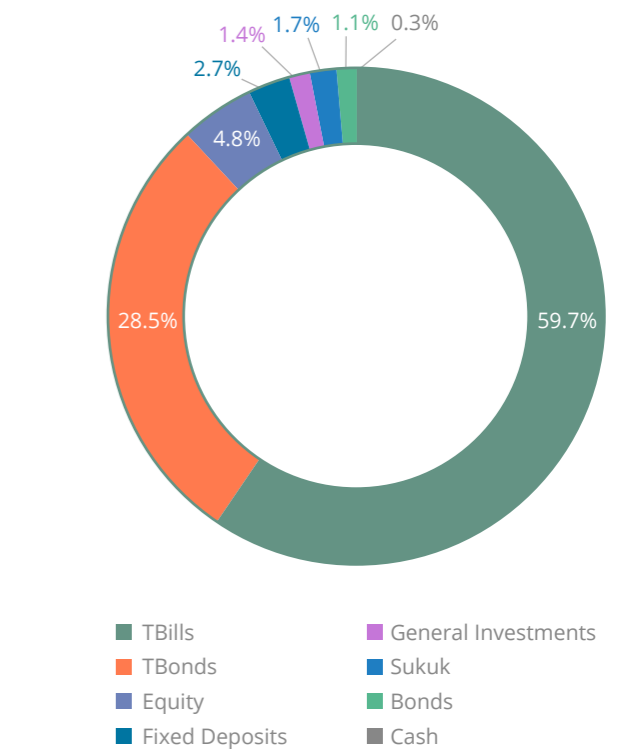
### Inflows and outflows in MRPS

MVR, Millions



MRPS consist of four different funds: (1) Investment Fund, (2) Sharia Fund, (3) Conservative Fund and (4) Sharia Conservative Fund. During the year, the combined asset value of the funds was at MVR 11.9 billion (including Housing Fund and excluding Recognition Bond), this was a net increase of 15.3% from MVR 10.4 billion in the previous year.

### MRPS Asset Allocations for the year, in percentage



In regard to the asset holdings of the scheme, the holding increased for T-bills and General Investments, comprising 59.7% and 1.4% of the fund, respectively, compared to 55.4% and 0.8% in 2019.

## Asset Class Performance

### Individual performance of the Asset Classes

Asset Class	Annual Return 2020	Annual Return 2019
Equity	11.1%	12.3%
Sukuk	10.0%	9.3%
Corporate Bond	8.5%	8.1%
Treasury Bond	5.4%	5.3%
Treasury Bill	5.0%	4.7%
Fixed Deposits	5.2%	5.0%
General Investments	4.7%	4.6%

As the impact of the COVID-19 pandemic spread nationwide, it increased the probability of default in receiving the investment income from the current MRPS investments. On account of this, Pension Office actively monitored the MRPS investments to minimize any such negative impact that could affect the returns.

When considering the individual performance of the asset classes for the year, despite the rough year all the asset classes performed comparably better than the returns attained in 2019, with the exception of the Equity asset class. Equity remained the highest performing asset class during 2020 consistent to the previous year, however, earned an annual return of 11.1% which is a decrease of 120 basis points from the previous year (2019: 12.3%). The primary reason for the fall in the return is owing to the deferment of the anticipated dividend on the shares of Maldives Islamic Bank (MIB) till 2021 pertaining to the pandemic. Hence, the total dividend received for the year was less than anticipated.

Sukuk was the second highest performing asset with a return of 10.0% followed by Corporate Bonds earning a return of 8.5%.

## Performance of MRPS Funds

### Individual Funds Size and performance

MRPS Funds	Net Asset Value (MVR, in millions)	Returns			
		2020	2019	2-Year Average Return	Since Inception
<b>Pre-Retirement Funds</b>					
Investment	11,245.1	5.2%	5.2%	5.2%	6.5%
Sharia	253.6	3.7%	4.7%	4.2%	2.7%
<b>Post-Retirement Funds</b>					
Conservative	401.9	4.4%	4.4%	4.4%	5.4%
Sharia Conservative	6.6	3.3%	6.3%	4.8%	1.3%
Recognition Bond	3,631.2	4.8%	4.8%	4.8%	5.3%

The Net Asset Value of the MRPS Fund (including the Recognition Bond), has reached a total of MVR 15.5 billion by the end of 2020. This is an increase of 12.1% from MVR 13.9 billion in 2019.

In terms of the performance of the individual funds, the Sharia Fund earned a return of 3.7% in comparison to 4.7% return in the previous year. This decrease in the return of is a result of the significant increase in the Net Asset Value of the Fund during the year as a total of MVR 70.8 million was invested during the year in General Investments Assets (GIA) and MVR 55.6 million (78.5%) of the assets were placed in 12-month tenure for which the income will be attained in the forthcoming year (2021). Meanwhile, the return achieved by the Investment Fund remained steady at 5.2%, representing the same as the previous year.

The Conservative Fund invests exclusively in Treasury bills and has achieved a return equivalent to the previous year of 4.4%. The performance of the Sharia Conservative Fund stabilized to a 3.3% after recording a 6.3%, the highest return till date earned by the Fund from the profits derived from a significant portion of GIA maturities during the year 2019.

The Recognition Bond Fund represents the service recognition bonds awarded to government employees who were in service at the time of implementation of the Pension Act in 2009. The returns are accrued based on the highest fixed deposit rate of the previous year, and the returns were accrued at 4.8% in 2020.

### Total MRPS performance, in percentage

MRPS Returns	2020	2019
12-month	5.09%	5.08%
3-year	5.15%	5.25%
5-year	5.41%	5.93%
Since Inception	5.81%	5.90%

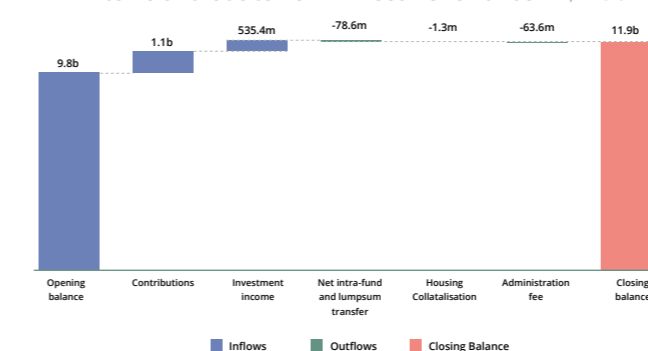
The overall performance of the scheme increased by 10 basis points to 5.09% from the return earned of 5.08% in the previous year. Since inception the scheme has earned on average 5.81%.

## MRPS Fund's Activities and Allocation

### Investment Fund

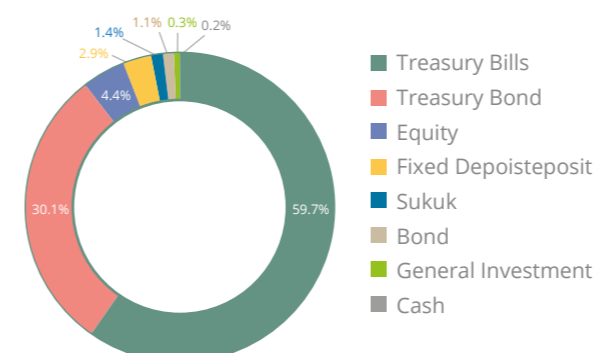
The Investment Fund is the default fund members contribute into at the time of registration to the scheme. It is also the largest fund in the MRPS by asset size, with a net asset value of MVR 11.2 billion at the end of 2020. This represented an increase of 15.2% relative to the previous year (2019: MVR 9.8 billion). The contribution inflows received by the fund was recorded at MVR 1.1 billion and MVR 535.4 million was earned as income from investments, which was an increase in income by 16.8% in comparison to income of MVR 458.3 million received in 2019.

### Inflows and outflows in Investment Funds MVR, Millions



Regarding the outflows from the Investment Fund, MVR 1.3 million was transferred to financial institutions under the Housing Collateralization Scheme and a total of MVR 78.6 million ("lump sum transfers") was transferred to the Conservative Fund from the Investment Fund subsequent to the retirement or death of members currently in the Investment Fund. All MRPS funds are charged an Administrative Fee of 0.6% to cover the costs of running the scheme, and during the year the Investment Fund received an amount of MVR 63.6 million as fees.

### Investment Fund Asset Allocations for the year, in percentage

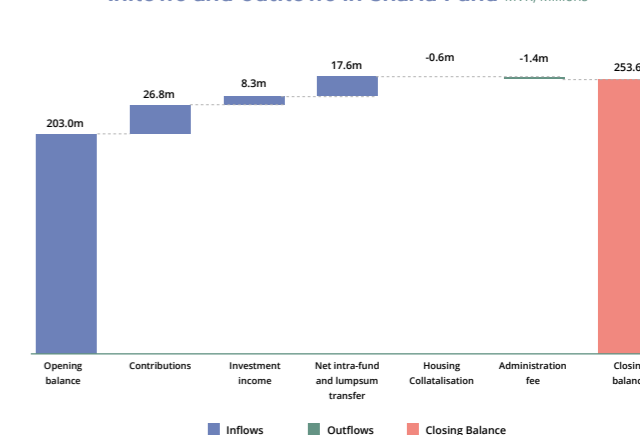


In terms of the Investment Fund composition, 36.0% of the funds are placed in long term investments which consist of Treasury bonds, equity, corporate bonds and Sukuks. Moreover, 64.0% of the Fund is allocated in more liquid assets (Treasury bills, Fixed deposit, General Investment and Cash). In terms of the maturity allocation of the fixed deposits and General Investment, 84.2% of both the assets are placed in long term tenures (3-5 years)

### Sharia Fund

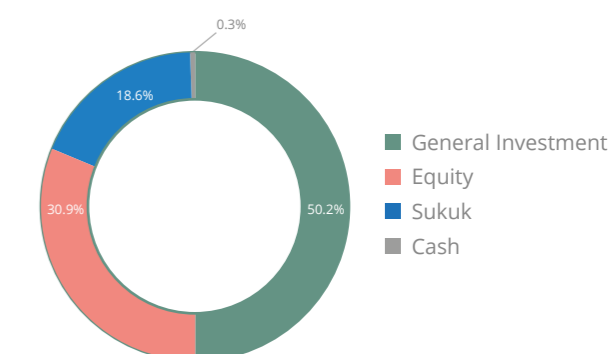
MRPS members who wish to invest their funds only in sharia compliant instruments can opt to choose Sharia Fund to deposit their pension contributions. The Net Assets of the Fund totaled to a value of MVR 253.6 million at the end of the year which was an increase of 25.0% compared to the value of MVR 203.0 million in the previous year.

### Inflows and outflows in Sharia Fund MVR, Millions



The contributions collected by the Fund was recorded at MVR 26.8 million and MVR 8.3 million was earned as investment income. Outflows from the Fund utilized for housing collateralization amounted to MVR 0.6 million and the lump sum transfers representing the inter-fund transfer made to the MRPS Sharia Conservative fund, resulting from the retirement or death of members and the switch of members from the Investment fund to Sharia fund amounted to MVR 17.6 million during the year. The Administrative Fee of 0.6% charged to the fund resulted in MVR 1.4 million for the year.

### Sharia Fund Asset Allocations for the year, in percentage

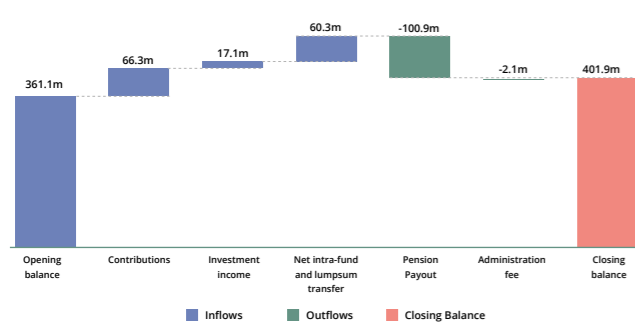


Shariah Fund previously comprised only two asset classes; General Investment Assets (GIA) placed with Maldives Islamic Bank and Sukuks invested in HDFC. The first equity investment from the fund was made during the 2019 IPO of Maldives Islamic Bank, resulting in the fund's assets comprising to be 50.2% of General Investment Assets, 30.9% of Equity and 18.6% of Sukuk and a marginal position held in cash of 0.3% at the end of the year.

## Conservative Fund

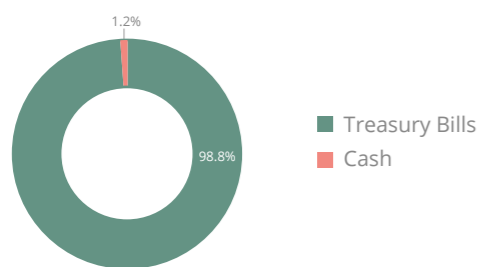
The Conservative Fund of MRPS is designed for the pension management of the MRPS members at their retirement.

Inflows and outflows in Conservative Fund MVR, Millions



The Net Asset Value of the Fund increased by 11.3% during the year. The contributions into the Fund represent the proceeds from liquidation of Recognition Bonds once the member retires, and the net intra-fund inflows represent the transfer of the retirement savings of MRPS members from the Investment Fund once they reach the retirement age of 65 years. A total of MVR 100.9 million was paid as monthly pension to retirees and this represented an increase of 12.3% when compared to previous years pension disbursement of MVR 89.9 million. The Administrative Fee (0.6%) charged on the fund for the year was MVR 2.1 million.

Conservative Fund Asset Allocations for the year, in percentage

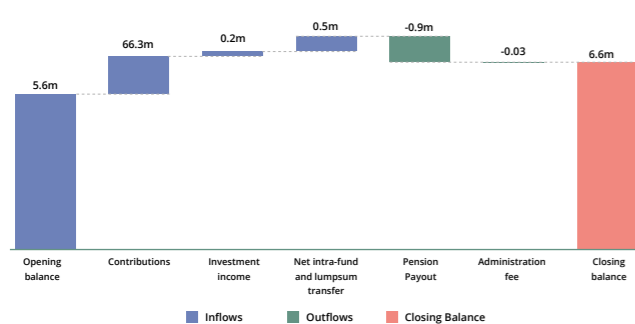


The fund remains fully invested in Treasury bills (98.8%) and holds a position in cash (1.2%), which is set aside for the purpose of meeting the requirement of pension disbursement to the retirees.

## Sharia Conservative Fund

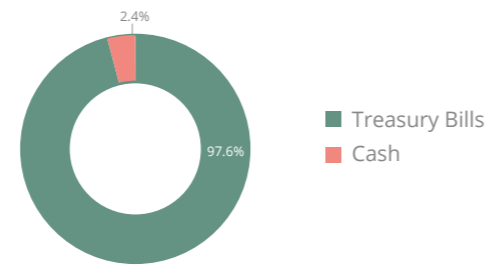
The Sharia Conservative Fund was created during 2016 to manage the investments of the retiring MRPS members from the conventional Sharia Fund.

Inflows and outflows in Sharia Conservative fund MVR, Millions



The Fund received a total contribution of MVR 1.3 million during the year and a total of MVR 0.9 million was paid out as pension benefits to the retired members. An Administrative Fee of MVR 0.03 million was charged on the fund during the year. At the end of the year the Fund Net Asset Value accumulated to MVR 6.6 million. An increase of 19.6% from the previous year (2019: MVR 5.6 million).

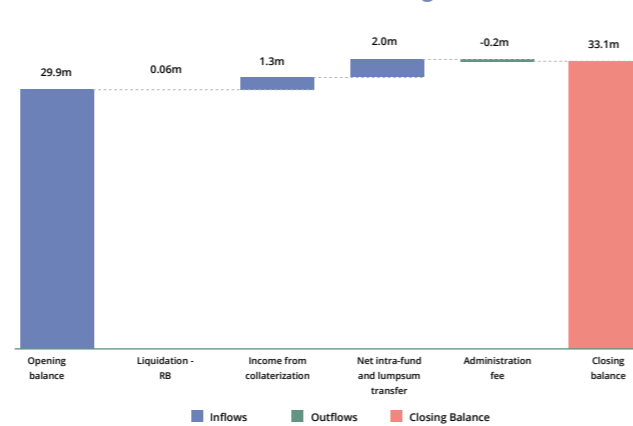
Sharia Conservative Fund Asset Allocations for the year, in percentage



The Fund invests entirely in sharia-compliant assets and comprises 97.6% of assets solely in General Investment Asset (GIA) instruments in the Maldives Islamic Bank and holds a marginal amount in cash for liquidity purposes which composes a mere 2.4% of the funds holding.

## Housing Portfolio

Inflows and outflows in Housing fund MVR, Millions



The Housing Fund was created during 2017, following the third amendment to Pension Act to enable MRPS members to utilize their retirement savings towards securing mortgage loans under a special Housing Collateralization Scheme. The Housing Fund represents proceeds transferred to financial institutions under the Housing Collateralization Scheme.

During 2020, a total sum of MVR 2.0 million was transferred to the Housing Fund from the Investment Fund and Sharia Fund. Similarly, MVR 60,000 was liquidated from the Recognition Bonds to the Housing Fund. With the addition of income from collateralization to the opening balance of MVR 29.9 million, a total amount of MVR 33.1 million was utilized for the purpose of housing collateralization at the end of December 2020.

# Board Members Report

## Composition of the Board

The eight Board Members representing the public sector and the private sector are appointed by the President in accordance with Section 8 of the Pension Act. Further, the Chairperson and the four private sector representatives are nominated by the Selection Committee formed jointly by the Civil Service Commission, Ministry of Finance, and the Ministry responsible for social security. All candidates for Board membership are scrutinized by the Capital Market Development Authority (CMDA) for regulatory compliance before their appointment.

The term of each appointed Board Member is 3 years and upon expiry of the initial term, Members may be reappointed. However, according to the Rules of Procedure of Pension Office Board, a Member is allowed to consecutively hold membership for 2 terms of 3 years.

## Composition of the Board



**Athifa Ali**  
Chairperson of the Board  
Appointed on: 20 June 2019



**Fathmath Abdullah Kamaaludheen**  
Capital Market  
Development Authority  
Appointed on: 04 March 2020



**Maryam Abdul Nasir**  
Ministry of Finance  
Appointed on: 28 March 2018



**Shifaza Wajeeth**  
Ministry of Gender,  
Family and Social Services  
Appointed on: 24 February 2020



**Abdulla Ali**  
Private Sector  
Appointed on: 10 December 2018



**Aishath Lu-u-lua Hassan**  
Private Sector  
Appointed on: 17 March 2019



**Laila Manik**  
Private Sector  
Appointed on: 23 June 2020



**Noorbaan Fahmy**  
Private Sector  
Appointed on: 15 February 2018

## Outgoing Members During 2020



**Muznee Mohamed**

As a representative of CMDA, Muznee was appointed to the Board on 20 February 2014 for a 3 year term and was re-appointed on 20 February 2017 for a second term. His tenure ended on 19 February 2020.



**Aminath Shifana**

As a representative of the social security sector, Shifana was appointed on 21 March 2017. In January 2020 Ms. Shifana resigned from the Ministry of Gender, Family and Social Services upon her appointment as the Permanent Secretary at the Ministry of Foreign Affairs. Her tenure ended on 19 January 2020.



**Ilyas Haneef**

As a representative from the Private Sector Ilyas was appointed to the Board on 12 April 2017 and his tenure ended on 11 April 2020.

## Board Meetings 2020

The Board convened 24 times during the year ended 2020. Details of the membership and their attendance<sup>1</sup> at the meetings, are as follows:

Attendance <b>24/24</b> Athifa Ali	Attendance <b>19/19</b> Fathmath Abdulla Kamaaluddeen	Attendance <b>19/20</b> Shifaza Wajeesh
Attendance <b>23/24</b> Maryam Abdul Nasir	Attendance <b>23/24</b> Noorbaan Fahmy	Attendance <b>24/24</b> Abdulla Ali
Attendance <b>24/24</b> Aishath Lu-u-lua Hassan	Attendance <b>10/10</b> Laila Manik	Attendance <b>05/05</b> Muznee Mohamed
Attendance <b>02/02</b> Aminath Shifana	Attendance <b>10/10</b> Ilyas Haneef	

<sup>1</sup> Reflects the number of meetings held during the time the member held office during the year

## Changes to Board Standing Committees

To strengthen the Board performance, specific responsibilities are delegated to standing-committees. By the end of 2020, there were 4 standing-committees. They are:

<b>IC</b>	Investment Committee	<b>RNC</b>	Remuneration and Nomination Committee
<b>ARMC</b>	Audit and Risk Management Committee	<b>ITC</b>	Innovation and Technology Committee

The Committee reports including the discussions held and the activity reviews of the Committees during the year 2020, are included in this Annual Report. In the year 2020, no change occurred in the composition of the standing committees of the Board.

## Key Board Decisions and Activity Review

### Recruitment Process of the Chief Executive Officer

With the underlying objective that the appointment process of CEO be fair, equitable and solely based on merit, the process was initiated in 2019 with high priority. The Board Chairperson continued the process in 2020 with inputs from the Board and the Recruitment Committee and agreed on broader level timelines and process framework.

A temporary Board Committee with 5 Board Members was established in March 2020 for the main purpose of facilitating the CEO recruitment process. The main purpose of the Committee was to:

- ◆ Review all recruitment related documents;
- ◆ Review and recommend evaluation criteria;
- ◆ Put in place reasonable measures to ensure the confidentiality of the appointment process and to provide all candidates; internal or external, a fair and equitable opportunity.

After a thorough and a successful completion of the recruitment process, the current Chief Executive Officer of the Pension Office, Mr. John Grindal was appointed by the Board on 24th December 2020.

### Review of the internal policies and procedures

- ◆ Reviewed and approved Recruitment Policy.

### Review of the Code of Conduct and the Rules of Procedure of the Board

- ◆ Approved Staff Code of Conduct
- ◆ Approved to include Board Members' Code of Conduct in the Rules of Procedure of the Board.

### Review and Revision of Terms of Reference of the Committees

- ◆ Reviewed and approved the TOR of ITC.
- ◆ Agreed to review the TOR of both the IC and the

ARMC. After the annual inspection audit, CMDA also highlighted the need for review of the TOR of both the Committees.

### Approval of the management letter presented by KPMG - current external auditor

- ◆ Deliberated on the qualification included by KPMG under the Internal Control Issues, 'Discrepancy in appointment of an Asset Manager'. Regarding the matter, the Board agreed to seek guidance from CMDA to check the regulatory point of view and the compliance of the process.

### Nomination of a Non-Executive Director to the Board of Maldives Islamic Bank.

- ◆ The Pension Office representative to the Board of MIB was appointed on 31st May 2020 for a period of 3 years.

### Enhancement of MRPS Benefits

- ◆ As per request of banks, the Board approved to introduce an amendment to the MOU's made with the banks in order to enable participants of the housing collateralization scheme to apply for the moratorium offered.
- ◆ Approved to adopt a resolution authorizing the management to waive off fines charged due to operational issues, without any fault on the part of the employer, such as issues related to contribution collection by the bank and technical issues of the Pension Office.
- ◆ Approved to proceed with the 3rd amendment to the Basic Pension Regulation to allow backdated payments.

### Initiatives for Board Effectiveness

- ◆ Newly appointed members in 2020 were oriented towards the Pension Office and the MRPS by providing essential information to assist in carrying out the roles and responsibilities of Board members.



### Board talent management

- Members of the Board initiated the self-evaluation process in December 2020. This initiative would enable members to get trained and acquire knowledge based on the results of the assessment.
- Board agreed to put a hold on the physical training scheduled for the year until the COVID-19 situation is controlled and to proceed with available options for training for Board members (internal as well as international) to be held virtually.

### Strengthening Investment Management of Pension Office

- Approved the Terms of Reference of the Investment Consultant.
- Disagreed with the deferment of dividend payment to only institutional investors as announced by MIB as per MMA's decision to defer 2019's dividend distributions. The concerns raised by the IC Members regarding the matter are highlighted in detail in the IC report.

Advised management to actively monitor the potential implications of the COVID-19 pandemic on MRPS investments and to report to the Board regularly with recommendations from the IC.

- Approved to invest in the Government Bond issue of MVR 500 million with a coupon rate of 5.15% at a 5 year tenure. The decision was made post discussion at the IC during the year.

Advised management to present a clear recommendation regarding the overall progress of the RAMP. The background information of the RAMP and the Committee level discussions on the matter are covered in detail in the IC report.

### Improving Operational Effectiveness of Pension Office

- Board took initiative in reviewing the existing Strategic Action Plan (SAP) and the Organization objectives and Key Results (OKR).
- The Board reviewed the performance of the current SAP and agreed to continue work on delivery of identified action plans. The Board, having identified the need for better stakeholder engagement and the need to be more member-focused, agreed to conduct the strategic action planning process early next year with inputs from the new CEO..
- In order to strengthen the follow up process of Board decisions, it was agreed that the Board pending tasks to be maintained in an organized manner and to discuss the progress of the decisions regularly.
- During this challenging year, the Board worked closely in guiding the management whilst making it a priority to ensure member services and operations of the Pension Office functioned smoothly uninterrupted.

- The Board gave special attention to ensure operational and cost efficiency of the Pension Office during this challenging year. Hence, management focused on maintaining operational efficiency and effectiveness and was able to sustain the management of expenses at a consistent level.
- The Board decided to continue with the current MRPS administration fee (0.06%) for 2021. However, the Board endorsed the decision to revise the administration fee within 6 months time as recommended by the IC.
- Approved the Audited Financial Statements of Pension Office and the Maldives Retirement Pension Scheme for the year ended 31st December 2019 along with the management report of 2019.
- Approved the Strategic Action Plan and Organisation Key Results for the year 2021 with a focus on revising the Plan during the 1st quarter of 2021.
- Approved the annual budget.

### Endorsement for Succession Planning and Gap Analysis

- As per recommendation from RNC, the Board approved the Succession Planning and Gap Analysis, and approved the recruitment of posts identified under the gap analysis exercise.

### Custodian Service Agreement Renewal 2020

- Approved to continue with the current Custodian Service agreement for one more year.
- Instructed management to seek other Bank options for the Custodian service before the one year extension ends. In this regard, the Board also instructed management to engage with CMDA with regard to the issuing of licences to other banks and to carry out the process in a more exploratory manner as the Pension Act contemplates a complete and a competitive bidding process.

### Outreach Initiatives

- Discussion regarding the contents of the "Maldives Fisheries Bill", the social protection of fishermen and securing pension, was initiated by the Board in 2019. During the first quarter of 2020, and as per the Board's direction, management initiated discussions with the key stakeholders on planning procedures.

### Business Continuity measures considered by the Board in relation to COVID19- pandemic

- Advised management on continuous analyzing of the operational working situation and developed a strategy and a procedure detailing the arrangements to prepare the workplace for business continuity.
- Approved the implementation of management's proposal on Internet connection transformation on the basis of cost saving and operational efficiency.

## Investment Committee Report

### Introduction

The Investment Committee (IC) created as per section 16(b) of the Pension Act, is the Board sub-committee responsible for formulating and reviewing the investment principles and the basic investment guidelines for the MRPS fund, ensuring that they are in compliance with the regulations of the Securities Market Regulator.

### Composition

The Committee comprises of three members; two from the private sector and the Board member representing the Ministry of Finance. The chairpersonship of the committee is a one year position, appointed on a rotating basis among the IC members.

The current Chairperson of the Committee is Mr. Abdulla Ali who was appointed to the post on 24th February 2020.

Following are the members of the committee in 2020:

- Mr. Abdulla Ali (Chairperson)
- Ms. Aishath Lu-u-lua Hassan
- Ms. Maryam Abdul Nasir

Ms. Laila Manik was appointed as the reserve member on 17th August 2020.

### Committee Meetings and Attendance

During the year, 13 meetings of the Committee were held. Below are the attendance of the meetings.

Name of the Member	Sector	Meetings Eligible to Attend	Meetings Attended
Abdulla Ali (Chairperson)	Private	13	13
Aishath Lu-u-lua Hassan	Private	12	12
Maryam Abdul Nasir	Public	13	12
Laila Manik	Private	-	5

### Major Investments in 2020

Government debt and fixed deposits remained the biggest investment opportunity for MRPS investments. The opportunities for investments in the private sector during the year was sparse. However, two major investment proposals were received by the Ministry of Finance. Out of these, the Committee approved an investment of MVR 500 million for a 5-year Government Treasury Bond at a coupon rate of 5.15%. The Committee rejected another offer of a special Treasury Bond pertaining to the COVID-19 pandemic since the return was lower than the past Treasury Bond coupon rates and current T-Bill rates.

### Major Activities of 2020

#### Seeking additional investment opportunities

Pension Office is continuously seeking additional investment opportunities that will add value to the MRPS members and diversify the fund's investments. In consideration of that, Pension Office approached CMDA regarding the restriction placed on investing in assets of the custodian bank. CMDA has (subject to additional requirements), revoked their directive restricting investment in assets of the custodian bank.

Subsequently, the IC reviewed the due diligence conducted on Bank of Maldives PLC (the current custodian bank of MRPS) and the risk of investing in the bank, along with the valuation of their equity. After comprehensive deliberation the members approved to pursue investments in the bank.

One of the main investment objectives of the MRPS is to preserve the real value of MRPS members' savings to maintain their purchasing power. To ensure this, the IC recognized the importance of investing in inflation-indexed securities, which will allow the MRPS members to receive return on their investments that will be assured not to fall below the local rate of inflation. Accordingly, IC expressed the Pension Office's interest in investing in long term inflation-indexed bonds to the Ministry of Finance and received an investment offer of an Inflation-linked bond; 3 year average inflation + 300 basis points. However, after thorough review of the offer, the IC decided to consider a three-year inflation-linked bond, with an interest cap of 5.5% (3-year fixed deposit rate received by Pension Office), and an inflation lag ranging between 3 -12 months in accordance with the international best practice. The reason for the shorter inflation lag recommendation was to get a better real return on the investments for the MRPS members. The deliberations are ongoing with the Ministry of Finance regarding the issuance which has been unexpectedly delayed due to the COVID-19 pandemic.

#### Active monitoring of key economic indicators and MRPS investments

During the COVID-19 crisis, a number of proactive measures were taken in monitoring the MRPS investments. The Committee members regularly deliberated on the changes to major economic sectors and reviewed the data on key economic indicators to analyse the macroeconomic implications of the crisis and hence to the MRPS. In addition, with the heightened probability of default risk of existing investments pertaining to the pandemic, an active investment monitoring practice was adopted during

the crisis to monitor any visible negative impact to the returns of MRPS investments that could adversely affect the MRPS members. The status of investments (especially maturing investments) were obtained regularly from all counterparties and issuers as a precautionary measure to avoid any default risk.

Subsequent to actively monitoring the investments, a delay in receiving the profit from the MRPS investment in HDFC Sukuk Issue No.02 was identified. After diligent discussions on the matter, IC stated the importance of claiming the lost re-investment income from the delayed settlement in order to compensate the loss of income for the MRPS members and to avoid repetition of such occurrences in the future that may negatively impact the MRPS members. Also Pension Office's concerns in regards to such delays was communicated with CMDA.

Moreover, during the course of the pandemic the impact was widespread throughout the different sectors of the economy. Thereby, causing significant implications to the investee companies/institutions of MRPS. As a consequence to mitigate the risk to the banking sector, MMA required banks to differ the 2019's dividend distributions. Following the requirement, Maldives Islamic Bank (MIB) announced the deferment of the dividend for 2019 for institutional investors, while it was decided to distribute dividend to all shareholders who are individual persons. IC Members raised concern over the differential treatment in receiving dividend between investors, on the basis of the Pension Office being an institutional investor. The Members of the Committee also highlighted in their deliberations that the beneficiaries of the MRPS are the individual members, effectively the Pension Office has made the investment in MIB on behalf of individual members. Thus, overall the IC members disagreed with the deferment of dividend payment to only institutional investors and communicated with relevant authorities on these concerns.

Consequently, the dividend proposal was revised in the 10th AGM held by MIB, with declaration of a dividend of MVR 1.575 per share for the year 2019, subject to the condition that the distribution of the dividend will be deferred to all shareholders till 2021 and to be paid with prior approval from MMA.

### Evaluation of measures to mitigate the risk to MRPS in the pandemic

Following the announcement of the COVID-19 pandemic in Maldives, an evaluation was made of the risks to the MRPS Fund. It was identified that MRPS Fund was subject to liquidity risk arising from a contribution reduction. The Committee thus decided to create a reserve for the liquidity risk identified based on contribution forecasts. During the year, changes to MRPS contributions were monitored regularly and appropriate reserve adjustment decisions were taken by the Committee.

### Risk Framework development

Investment risk management being a major function of the Committee, the Committee prioritised development of adequate risk management frameworks to monitor risks. In addition to active economic cycle and investment monitoring, work was carried out to develop methodologies to identify and classify individual asset class risks of MRPS investments.

### Technical Advisory with the World Bank Treasury

During the year 2018, MPAO engaged with the World Bank Treasury's Reserve Management and Advisory Partnership (RAMP); a technical advisory service sought by Pension Office to review its portfolios, strategic asset allocations and strategies for further diversification of MRPS funds.

The year commenced with the IC assessing the overall progress and performance of the Program, and deliberating on the project plan for the year 2020, timeline for deliverables and implementation of the technical recommendations by RAMP. Overall the IC agreed on the planned scope of the Program's engagements for the year. During the year, RAMP produced a study of direct investments by other Public Pension Funds which was reviewed by the IC. The study produced an analysis of investment objectives, trends, statistics and case studies of real estate investments by other Pension Funds. The study also provided an overview of challenges for the MRPS Fund to invest in the local real estate sector.

Following the COVID-19 pandemic, the mission scheduled for the year in April was conducted as an online presentation and also, all training and further missions were suspended by RAMP till the crisis receded. Hence, IC advised the management to discuss with the World Bank, the changes to engagements terms and assess the potential delays to the deliverables given the suspensions.

## Audit and Risk Management Committee Report

### Introduction

The Audit and Risk Management Committee (the "Committee") is delegated by Pension Office Board with approved terms of reference. The Committee is responsible to provide an independent review and supervision of financial reporting, internal controls, risk and internal and external audit of the Pension Office.

### Purpose

The purpose of this report is to provide an overview of the membership, summary of responsibilities and activities of the Committee in respect of the year ended 31st December 2020. During the course of the year, the executive management of the Pension Office reported to the Committee on issues related to audit and matters related to risk, accounting and financial reporting.

### Composition and Support of the Committee

The Committee comprised of four members of the Pension Office Board. The members of the committee that remained by the end of the year were;

- 1- Ms. Shifaza Wajeesh (Chairperson)
- 2- Ms. Maryam Abdul Nasir
- 3- Mr. Abdulla Ali
- 4- Ms. Laila Manik

Meetings were also attended by the Chief Executive Officer and representatives from business functions as required.

### Responsibilities

The primary function is to assist the Board in fulfilling its oversight responsibilities. The Committee is entrusted with the responsibility of overseeing functions in relation to external audit processes, both the conduct and outcome. The Committee is also responsible for reporting to the Board in relation to approving the terms of engagement and scope of work of external auditor. Additionally, Committee is required to oversee the internal audit process, systems of internal control and risk management to ensure integrity of financial reporting of the Pension Office.

### Committee Meetings and Attendance

The Committee convened five (5) times during the financial year ended 2020. Details of the membership and their attendance at the meetings, are as follows:

Members	Meetings Eligible to Attend	Meetings Attended	Committee Tenure
Shifaza Wajeesh	5	5	24th Feb 2020
Maryam Abdul Nasir	5	5	28th March 2018
Abdulla Ali	5	5	10th Dec 2018
Laila Manik	3	3	17th Aug 2020
Ilyas Haneef	1	1	17th April 2018 to 11th April 2020

### 2020 Committee Activity Review

In line with the terms of reference, the work carried out by the Committee for the year ended are as follows.

- ◆ The Committee summarized its work during the year to identify how it has fulfilled the duties required by the Board in its Annual Activity Report. The Committee reviewed and approved its report on 5th March 2020 which is incorporated in the Annual Report.
- ◆ The Committee also considered the Auditor's Report and Audited Financial Statements of Pension Office and MRPS for the year ended 31st December 2019 by KPMG. After review and discussion, on 16th April 2020, Committee endorsed and recommended it for Board approval.
- ◆ During the meeting held on 26th November 2020, Ms. Shifaza Wajeesh was appointed as Chairperson for one year period, as Ms. Maryam Abdul Nasir, who previously held the position completed her term.
- ◆ The Committee reviewed and approved the risk based annual audit plan, which outlines the work to be undertaken by the Internal Audit function in 2020. For the reporting period, the Committee also monitored progress in implementing the plan and other work undertaken by the audit function.
- ◆ The Committee has overseen the completion of audit reviews in the course of the review period. The audits reported and reviewed by the Committee in the year included 2019 carried forward audits of the procurement process and utilizing RSA for Hajj claims. Additionally, from year 2020, Committee received review report of collateralization of RSA for housing purchase process and audit of other pension benefit payout process. The Committee considered the recommendations for process and control improvements as a result of audits and reviewed the management responses given for reports issued during the course of the year.

- ◆ The Committee received a status monitoring report on the implementation of the recommended actions and proposed timelines that have been agreed upon in the audits and Committee emphasized the importance of fully implementing Internal Audit recommendations.
- ◆ Apart from this, the Committee also considered the external audit management letter of MRPS and Pension

Office 2019 and discussed the actions proposed by management to address the issues raised and agreed to endorse the report.

- ◆ Other matters discussed by the Committee included proposed revised Procurement Manual and 2021 Pension Office budget summary publication.

- ◆ Overseeing the policies and processes relevant to nomination and appointment of executives to top management level positions at Pension Office.
- ◆ Reviewing disciplinary procedures and suspension or termination issues relevant to employees.

Eleven (11) meetings of RNC were held in 2020. The following table includes the attendance of the Committee meetings.

Members	Meetings Eligible to Attend	Meetings Attended
Athifa Ali	11	11
Noorubaan Fahmy	11	10
Aishath Lu-u-lua	11	11
Shifaza Wajeesh	-	9
Sujatha Haleem	11	11
John Grindall	1	1

## Committee Activity Highlights of 2020

The highlights of the RNC decisions in 2020 are as follows:

### Increase effectiveness and efficiency

With the aim of improving the effectiveness and efficiency of the Board, the Committee discussed and requested the management to include management review, recommendations, along with previous decisions and policies passed regarding the subject, in all papers when presenting to the Board. The Committee also approved to standardise all the Board Committee Terms of References (TOR) to harmonise the work of different Board Committees.

Board Member Performance Review was also discussed, approved and initiated by the Committee.

## Remuneration and Nomination Committee Report

### Introduction

The employees of Pension Office are considered to be one of the greatest assets and the main reason behind the groundbreaking developments and major milestones achieved by Pension Office over the years. In order to ensure effective Human Capital Management, the Pension Office Board identified the need to provide employees with a competitive remuneration and benefits package which would attract top talent, retain existing key employees and in general, improve employee job satisfaction and welfare.

The Remuneration and Nomination Committee (RNC) is a Board sub-committee that ensures competitive and fair remuneration and benefits packages are provided to the Board Members, Chief Executive Officer and employees. RNC also oversees the nomination and appointment of Executive Management positions.

### Committee Composition and Members

RNC comprises of three (3) Board Members and the Chief Executive Officer (CEO), making a total of four members. A reserve member from the Board for the Committee was also identified for the year 2020.

Members of the Committee in 2020 are:

- 1- Ms. Athifa Ali (Chairperson)
- 2- Uza. Noorbaan Fahmy
- 3- Ms. Aishath Lu-u-lua Hussain
- 4- Ms. Shifaza Wajeesh (Reserve member of RNC)
- 5- Ms. Sujatha Haleem (Acting CEO 1 January 2020 - 23 December 2020)
- 6- December 2020)
- 7- Mr. John Grindall, CEO (from 24 December 2020)

### Responsibilities of the Committee

Key functions of RNC are the following:

- ◆ Determining the remuneration and benefits packages offered to the Board Members and employees of Pension Office, and overseeing the review of remuneration and benefits structure.

### MIB Nominee Director Recruitment

The Committee initiated and completed the recruitment process for the post of MIB Nominee Director. This included the approval of the Terms of Reference (TOR) for the post, extensive shortlisting and interview process of the candidates to ensure the best suited candidate was selected. A final candidate was selected and recommended by the Committee for the Board approval on 27 May 2020.

### Succession Planning and Gap Analysis

The Committee initiated the succession planning process and approved the succession plan for the year 2020. Committee also deliberated on the staff requirements and approved the gap analysis exercise carried out by the management.

## Innovation and Technology Committee Report

### Introduction

The authority for the Innovation and Technology Committee (the "Committee") comes from the Board of Maldives Pension Administration Office (Pension Office) which established the Committee as part of its governance framework. The Terms of Reference (TOR) of the Committee approved by the Board determines the authority and responsibility of the Committee so that it may function effectively within the institution.

The Committee was established on 17th July 2018 on the Board's 149th meeting and the Committee reports to the Board of Pension Office on a quarterly basis or as required by the Board.

### The Role of the Committee

The role of the Committee is to assist the Board in overseeing the strategic direction of innovation, technology and information security management of the Pension Office. The Committee ensures whether the technology and security related policies, projects and investments align with broader strategic goals and priorities. The Committee further assists in monitoring emerging technology risks and opportunities.

### Composition and support of the Committee

The Committee composition comprised 4 members including 2 members of the Pension Office Board, Chief Executive Officer (CEO) of Pension Office and Chief Technology Officer (CTO) of Pension Office.

The Board Members appointed by the Board to the Innovation and Technology Committee during the year 2020 includes the following:

### Policies and procedures

- ◆ Review and recommendation of the Recruitment Policy
- ◆ Review and recommendation of Board Rules of Procedure
- ◆ Review and recommendation of Training Bond Policy
- ◆ Review and recommendation of Performance Appraisal Policy
- ◆ Review and recommendation of Training and Development Policy

Recruitment Policy was approved by the Board and came into effect on 17 August 2020. The remaining policies and procedures were in Board deliberation at the end of 2020.

### Board Member, Uza. Noorbaan Fahmy

- ◆ Appointed as a member of the Committee on 13th August 2018
- ◆ Chairperson of the Committee from 27th October 2019 to 26th October 2020.
- ◆ Reappointed as the Chairperson of the Committee on 16th November 2020 until the end of her term as a Board Member.

### Board Member, Ilyas Haneef

- ◆ Appointed as a member of the Committee on 13th August 2018.
- ◆ Remained as a member of the Committee till the until the end of his term as a Board Member on 11th April 2020.

### Board Chairperson, Athifa Ali

- ◆ Appointed as a member of the Committee on 17th August 2020.

### Board member, Shifaza Wajeesh

- ◆ Appointed as a reserve member of the Committee on 17th August 2020.

The Committee Chair has the discretion to invite subject experts, internal/external auditor etc to participate in the Committee meetings.

### Main Responsibilities of the Committee

- ◆ The Committee is entrusted with the responsibility of agreeing and reviewing the implementation of major technology innovation strategies, to provide assurance that they support the overall strategy and underpin future business growth. The Committee is also

responsible for reviewing and endorsing the significant technology initiatives of the Pension Office.

- With regard to the technology risk, the Committee is entitled to review the major operational and specific risk exposures, concentrating on the risk assessment guidelines and policies. Moreover, have the discretion to engage external consultants to validate the effectiveness of technology risk management when and where necessary.
- The Committee is further responsible for monitoring the implementation of significant technology projects and initiatives and assess the adequacy of workforce capabilities and recommend strategies for the development. This also includes determining and monitoring Information Security and other Information Technology related policies and practices to ensure effectiveness and accuracy.
- In addition, disciplinary actions with regard to all violations and attempted violations of the Pension Office Information Security Management System Policy by the employees of Pension Office will be instituted by the HR department in consultation with the Committee.

## Committee Meetings and Attendance

The committee convened 3 times during the financial year ended 2020. Details of the membership and their attendance at the meetings, are as follows:

Members	Member Designation	Meetings Eligible to Attend	Meetings Attended	Committee Tenure
Noorbaan Fahmy	Committee Chair	3	3	13 August 2018 to date
Athifa Ali	Member	2	2	17 August 2020 to date
Ilyas Haneef	Member	1	1	13 August 2018 to 11 April 2020
Sujatha Haleem	Member / Acting CEO	3	3	1 January 2020 to 23 December 2020
Ahmed Shafeez	Non-voting Member / Chief Technology Officer	3	3	17 July 2018 to date
Shifaza Wajeeth	Reserve Member	2	2	17 August 2020 to date

## Innovation & Technology Committee Activity Review of 2020

In line with the Terms of Reference of the Innovation and Technology Committee, the work carried out by the Committee for the year ended are as follows;

### Improving operational effectiveness and efficiency of the IT function

Similar to the previous years, the Committee deliberated on the major activities carried out by the Data and Application Department, along with the Action Plan of the year 2020.

In order to enhance the oversight function and strengthen the process of reporting, the Committee discussed and agreed that updates of the Data and Application department and IT activities be shared with the Committee on a quarterly basis. This mainly includes the timelines showing the deliverables and measures of productivity, update of issues and challenges, cost savings and measures implemented for assessing effectiveness and efficiency of the processes carried out.

To encourage independence and sharing of information it was agreed by the Committee that all matters of ITC be shared with the Board on a regular basis. Further to the discussion on obtaining Board endorsement for the issues deliberated at the Committee level, Committee came into agreement that all matters that incur unbudgeted additional financial costs and commitment to an external party shall be forwarded for Board endorsement.

### Review of the Terms of Reference of ITC

In order to adhere to the Board decision on standardisation of all the documents of the Board standing Committees, the TOR of ITC was revised and approved during the year. In the course of reviewing, amendments were brought to enable effective and informed decision making.

### ISO 27001 surveillance stage 2 audit

The ISO 27001 compliance audit is conducted every year as a mandatory activity under ISO 27001 certification. Committee deliberated on the findings of the Audit carried out in the last quarter of 2020.

## Initiatives to redesign the current Employer Portal and the Google Cloud Infrastructure

### Redesigning of the Employer Portal and related services

Koshaaru Employer Portal is used by the employers to manage employee enrollment, contribution declaration, contribution submission and report generations. Also the same portal is used for providing additional online services to entities from the Pension Office. The Koshaaru system has served in managing pensions related processes for the past 10 years. However challenges are there to extend and manage to support the current business needs.

In order to support the new business requirements, reengineering of the Portal was required and measures were taken to strengthen and extend the services of Koshaaru system. Further based on the critical issues identified during the COVID-19 pandemic, the decision was taken to carry out further developments in the

portal. As part of the work, during the year the Committee reviewed management's proposal and advised management to proceed with the redesigning of the Employer Portal and related services.

The Committee considered the fact that with the new features added to the portal, it will enable a more organized information management system, allowing employers to manage their information more effectively. The portal will allow additional features based on needs and recommendation of the users and customised services to specific employers.

Further consideration was given to develop educational material to educate staff and the employers on the changes brought to the portal. Also focusing on streamlining the internal developments of IT function, the Committee recommended developing business process documents of the Employer portal development.

### Redesigning of Google Cloud Infrastructure to support automation

As highlighted in the annual reports of the previous years, Pension office has migrated its entire IT infrastructure to the Google Cloud in late 2016, in order to facilitate a more flexible and reliable platform to host applications and services required to support business needs.

Pension Office successfully completed 3 years on the Google Cloud Platform (GCP), without making any significant change to the initial architecture. Meanwhile, GCP has made several improvements and added new features to the enterprise architecture design and standards. Top priorities of Pension Office related to the IT infrastructures include, having excellent performance, efficiency, reliability and security, while using the state of the art technology at a reasonable cost.

The Committee deliberated on the status of the current infrastructure and reasons for redesigning along with the recurrent cost, implementation options and risks included in the proposed changes. In order to keep up to date and receive the best from current technologies and to address the complexity existing in the current practices, the Committee considered the changes proposed by the management to the Google Cloud Infrastructure.

## In-house development of Koshaaru System

The Committee reviewed the proposal prepared by the management regarding the internal development plan of the Koshaaru System and deliberated to great lengths on the documents presented by the management on the comparison of advantages and disadvantages of developing Koshaaru internally by inhouse software development team.

During the discussion, the Committee discussed in detail the history of the Koshaaru development and its project experience. Further, exchanged views on the current status of the system and the available options to replace the existing system. Based on the information provided by the management, the Committee also considered the possibility of internal development of the system at a lower cost than the available market rates.

After careful consideration on the matter, the Committee agreed for in-house development of Koshaaru in principle, subject to separate approvals from the Committee at various stages of the development and also subject to approval from the Board for the project.

Recommendations were made from the Committee to elaborate on the major factors of the project with proper justification, including the cost, expertise, speed of execution, quality assurance, security, management of the project and the training needs. Also to develop a comprehensive work plan for Koshaaru development including the budgetary details and the necessary resources.

Further to maintain continuity of the processes, consideration was given to the development of operational level Business Process Documents for the modules of the system with clarity of scope and processes, and stressed on the completion of detailed documents by the end of the project. The Operational Acceptance of the process to be discussed with the CEO and reviewed before presenting it to the Board. The Committee recommended that the Business Process document be signed-off by the CTO and the Operational Acceptance document with the requirements to be signed-off by the CEO, in order to maintain accountability.

### Data & Application Department Action Plan for 2021

The action plan of the Data & Application department was also reviewed by the Committee during the final quarter of 2020 and approved management to proceed with the plan. The Committee emphasized on the fact that the actions included in the action plan should align with the overall strategy of the Pension Office.

The Committee further advised management to submit the roadmap of the development actions included in the department action plan for discussion and approval, within the first quarter of 2021.

### IT Strategic Plan for 2021 - 2023

The Committee reviewed the actions proposed by the management under the following major goals and objectives of the IT function at the Pension Office.

- ◆ Manage key processes and services through a state of the art Information Management Systems
- ◆ Use of modern techniques and technologies to provide quality and efficient services
- ◆ Ensure systems & services are secure and available
- ◆ Reduce operational cost by generating income from existing resources and services.
- ◆ Innovate for the future

The Committee emphasized on the importance of not deviating from the core functions of the Pension Office and with the vision to make the processes and services of Pension Office modern, simple, affordable, efficient and secure. The Committee reviewed and approved the IT Strategic Plan for the year 2021 - 2023 during the fourth quarter of 2020.

### Expanding IT support service

During the year the Pension Office received proposals from other institutions requesting for data sharing as a support service, using existing services and knowledge at the Pension Office. Committee deliberated on the matter and supported the initiative from the Management, in the intention that sharing of data will enhance and strengthen the information systems between stakeholder institutions.

Committee agreed on exploring the options subject to Board endorsement and advised management on the development of proper documentation including a framework for data sharing, service contract (with non-disclosure clauses), timeline of implementation and cost breakdowns.

## Acronyms

<b>ARMC</b>	Audit and Risk Management Committee
<b>BML</b>	Bank of Maldives
<b>CEO</b>	Chief Executive Officer
<b>CMDA</b>	Capital Market Development Authority
<b>HDFC</b>	Housing Development Finance Corporation Limited
<b>HR</b>	Human Resources
<b>IIAS</b>	International Internal Audit Standards`
<b>IPO</b>	Initial Public Offering
<b>ISO</b>	International Organization for Standardization
<b>ISSA</b>	International Social Security Association
<b>IC</b>	Investment Committee
<b>IT</b>	Information Technology
<b>ITC</b>	Innovation and Technology Committee
<b>MCB</b>	Mauritius Commercial Bank
<b>MED</b>	Ministry of Economic Development
<b>MIB</b>	Maldives Islamic Bank
<b>MMA</b>	Maldives Monetary Authority
<b>MRPS</b>	Maldives Retirement Pension Scheme
<b>RAMP</b>	Reserve Advisory and Management Partnership
<b>RNC</b>	Remuneration and Nomination Committee
<b>RSA</b>	Retirement Savings Account
<b>SAA</b>	Strategic Asset Allocation
<b>SDFC</b>	SME Development Finance Corporation
<b>SOE</b>	State Owned Enterprise
<b>SOIP</b>	Statement of Investment Principles
<b>SOP</b>	Standard Operating Procedure
<b>SPC</b>	Statement of Pension Contribution

# FINANCIAL STATEMENTS



**MALDIVES PENSION ADMINISTRATION OFFICE  
(FORMED UNDER THE MALDIVES PENSION ACT NO. 8/2009)**

**FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
31 DECEMBER 2020**

**MALDIVES PENSION ADMINISTRATION OFFICE  
(FORMED UNDER THE MALDIVES PENSION ACT NO. 8/2009)  
FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2020**

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**Independent Auditors' Report  
To the Board of Directors of  
Maldives Pension Administration Office**

**Opinion**

We have audited the financial statements of the Maldives Pension Administration Office ("MPAO"), which comprises the statement of financial position as at 31 December 2020, and the statement of income, statement of changes in accumulated fund and statement of cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies and other explanatory information set out in pages 8 to 24.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of MPAO as at 31 December 2020 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

**Basic for Opinion**

We conducted our audit in accordance with International Standard on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditor's responsibility for the audit of the financial statements* section of our report. We are independent of the MPAO in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code") together with the ethical requirement that are relevant to our audit of the Financial Statements in Maldives, and we have fulfilled our other ethical responsibilities in the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Other Information**

The Board of Members (the "Board") is responsible for the other information. The other information comprises the information included in the annual report but does not include the financial statements and our auditor's report thereon. The annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the Board.

### **Responsibilities of the Board of Directors for the Financial Statements**

The Board of Directors ("the Board") is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards ("IFRSs"), and for such internal control as the Board 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, the Board is responsible for assessing the MPAO's ability to continue as a going concern, disclosing, as applicable, matter related to going concern and using the going concern basis of accounting unless the Board either intends to liquidate the MPAO or to cease operation, or has no realistic alternative but to do so.

The Board of Directors are responsible for overseeing the Company Financial Reporting Process.

### **Auditors' Responsibilities for the Audit of Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, 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 decision of users taken based on these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment 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, design and perform audit procedures responsive to those risks, and 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 MPAO'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 MPAO'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 MPAO 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.

**Auditors' Responsibilities for the Audit of Financial Statements (Continued)**

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 identify during our audit.



**R. W. M. O. W. Duminda B. Rathnadiwakara**  
For and on behalf of KPMG

21 April 2021  
Male'

**MALDIVES PENSION ADMINISTRATION OFFICE  
(FORMED UNDER THE MALDIVES PENSION ACT NO. 8/2009)  
STATEMENT OF INCOME**

**FOR THE YEAR ENDED 31 DECEMBER**

	Notes	2020 MVR	2019 MVR
<b>Income</b>			
Income	6	67,227,203	57,727,167
Other income	7	4,193,265	3,094,020
		<u>71,420,468</u>	<u>60,821,187</u>
<b>Expenditure</b>			
Salaries and allowance	8	(20,324,543)	(22,054,951)
Bank charges and custodian fees	9	(6,179,622)	(6,065,881)
Administrative expenses		(10,070,604)	(15,136,933)
		<u>(36,574,769)</u>	<u>(43,257,765)</u>
<b>Excess of income over expenditure for the year</b>		<u><u>34,845,699</u></u>	<u><u>17,563,422</u></u>

These financial statements are to be read in conjunction with the related notes, which form an integral part of the financial statements of MPAO set out pages 8 to 24. The Report of the Independent Auditors is given on pages 1 to 3.

MALDIVES PENSION ADMINISTRATION OFFICE  
(FORMED UNDER THE MALDIVES PENSION ACT NO. 8/2009)  
STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER

	Note	2020 MVR	2019 MVR
<b>ASSETS</b>			
<b>Non current assets</b>			
Furniture and equipment	10	1,063,974	1,655,349
Intangible assets	11	52,270	111,003
Right-of-use assets	12	20,127,786	21,087,786
<b>Total non current assets</b>		<u>21,244,030</u>	<u>22,854,138</u>
<b>Current assets</b>			
Investment in fixed deposit	13	105,483,392	59,651,924
Other receivables	14	6,661,604	6,096,889
Cash and cash equivalents	15	17,051,815	28,875,679
<b>Total current assets</b>		<u>129,196,811</u>	<u>94,624,492</u>
<b>Total assets</b>		<u><u>150,440,841</u></u>	<u><u>117,478,630</u></u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Accumulated funds		123,393,395	93,547,696
Capital and general reserve	16	20,000,000	15,000,000
<b>Total equity</b>		<u>143,393,395</u>	<u>108,547,696</u>
<b>Current liabilities</b>			
Other payables	17	7,047,446	8,930,934
<b>Total liabilities</b>		<u>7,047,446</u>	<u>8,930,934</u>
<b>Total equity and liabilities</b>		<u><u>150,440,841</u></u>	<u><u>117,478,630</u></u>

These financial statements are to be read in conjunction with the related notes, which form an integral part of the financial statements of MPAO set out pages 8 to 24. The Report of the Independent Auditors is given on pages 1 to 3.

*John Grindall*

.....  
**John Grindall**  
Chief Executive Officer

These Financial Statements were approved by the Board of Directors on 21 April 2021 and signed on its behalf by;

*Athifa Ali*

.....  
**Athifa Ali**  
Chairperson

*Abdul Haleem Abdul Latheef*

.....  
**Abdul Haleem Abdul Latheef**  
Director

MALDIVES PENSION ADMINISTRATION OFFICE  
(FORMED UNDER THE MALDIVES PENSION ACT NO. 8/2009)  
STATEMENT OF CHANGES IN ACCUMULATED FUNDS

FOR THE YEAR ENDED 31 DECEMBER 2020

		Capital and General Reserve MVR	Accumulated Fund MVR	Total MVR
	Note			
Balance as at 1 January 2019		10,000,000	80,984,274	90,984,274
Excess of income over expenditure for the year		-	17,563,422	17,563,422
Transferred from accumulated fund	16	5,000,000	(5,000,000)	-
Balance as at 31 December 2019		15,000,000	93,547,696	108,547,696
<b>Balance as at 1 January 2020</b>		15,000,000	93,547,696	108,547,696
Excess of income over expenditure for the year		-	34,845,699	34,845,699
Transferred from accumulated fund	16	5,000,000	(5,000,000)	-
<b>Balance as at 31 December 2020</b>		20,000,000	123,393,395	143,393,395

These financial statements are to be read in conjunction with the related notes, which form an integral part of the financial statements of MPAO set out pages 8 to 24. The Report of the Independent Auditors is given on pages 1 to 3.

**MALDIVES PENSION ADMINISTRATION OFFICE  
(FORMED UNDER THE MALDIVES PENSION ACT NO. 8/2009)  
STATEMENT OF CASH FLOWS**

**FOR THE YEAR ENDED 31 DECEMBER**

	Note	2020 MVR	2019 MVR
<b>Cash flows from operating activities</b>			
Excess of income over expenditure before tax		34,845,699	17,563,422
<b>Adjustments for</b>			
Depreciation of furniture and equipment	10	978,971	1,895,143
Amortization of intangible assets	11	58,733	127,834
Interest income from investment in fixed deposit	7	(3,581,193)	(2,245,760)
Loss on disposal of property, plant and equipment	10	-	103,638
Depreciation of right to use assets	12	960,000	960,000
<b>Operating surfeit before working capital changes</b>		<u>33,262,210</u>	<u>18,404,277</u>
<b>Working capital changes</b>			
Changes in other receivables		(564,715)	(1,233,393)
Changes in other payables		(1,883,488)	1,468,747
<b>Cash flows generated from operating activities</b>		<u>30,814,007</u>	<u>18,639,631</u>
<b>Cash flows from investing activities</b>			
Acquisition of property, plant and equipment	10	(387,598)	(451,146)
Purchase of financial instruments	13.1	(103,000,000)	(68,000,000)
Financial instruments matured during the year	13	58,000,000	30,000,000
Interest received	13	2,749,725	936,987
<b>Net cash used in investing activities</b>		<u>(42,637,873)</u>	<u>(37,514,159)</u>
<b>Net decrease in cash and cash equivalents</b>			
Cash and cash equivalents at the beginning of the year		(11,823,866)	(18,874,528)
		<u>28,875,679</u>	<u>47,750,207</u>
<b>Cash and cash equivalents at the end of the year</b>	15	<u>17,051,813</u>	<u>28,875,679</u>

These financial statements are to be read in conjunction with the related notes, which form an integral part of the financial statements of MPAO set out pages 8 to 24. The Report of the Independent Auditors is given on pages 1 to 3.

**MALDIVES PENSION ADMINISTRATION OFFICE  
(FORMED UNDER THE MALDIVES PENSION ACT NO. 8/2009)  
NOTES TO THE FINANCIAL STATEMENTS**

**1. REPORTING ENTITY**

Maldives Pension Administration Office (“MPAO”) was formed on 13th May 2009 under Maldives Pension Act No 8/2009. The registered office is located at Allied Building, Chandhanee Magu, Male’, Republic of Maldives. MPAO is an independent legal entity with perpetual succession and with a separate seal under the Act.

The principal activities of MPAO are;

- Administering the Pension Schemes established under the Act.
- Providing the Maldives Retirement Pension.
- Formulating regulations, standards and guidelines to operate the schemes established under the Act.
- Paying Maldives Old-Age Basic Pensions established under the Act.
- Conducting public awareness programs on the pension schemes established under the Act.
- Taking measures considered necessary by the Pension Office in order to discharge its functions under the Act.

**2. BASIS OF PREPARATION**

**(a) Statement of Compliance**

The financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRSs”).

**(b) Basis of Measurement**

The financial statements have been prepared on the historical cost basis.

**(c) Functional and Presentation Currency**

These financial statements are presented in Maldivian Rufiyaa, which is MPAO’s functional currency. All financial information presented in Maldivian Rufiyaa has been rounded to the nearest Rufiyaa.

**(d) Use of Estimates and Judgements**

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in MPAO’s financial statements is included in the respective notes.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in the relevant notes.



**MALDIVES PENSION ADMINISTRATION OFFICE  
(FORMED UNDER THE MALDIVES PENSION ACT NO. 8/2009)  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**3. SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, and have been applied consistently by the MPAO.

**3.1 Foreign Currency Transactions**

Transactions in currencies other than Maldivian Rufiyaa are translated to Maldivian Rufiyaa at the exchange rate ruling at the date of transaction. Monetary assets and liabilities denominated in currencies other than Maldivian Rufiyaa are translated to Maldivian Rufiyaa at the exchange rate ruling at the reporting date. Foreign exchange differences arising on translation are recognized in the income and expenditure statement.

Non-monetary assets and liabilities, which are measured at historical cost, denominated in currencies other than Maldivian Rufiyaa, are translated to Maldivian Rufiyaa at the exchange rates ruling at the dates of transactions. Non-monetary assets and liabilities, which are stated at fair value, denominated in currencies other than Maldivian Rufiyaa, are translated to Maldivian Rufiyaa at the exchange rates ruling at the dates the values were determined.

**3.2. Financial Instruments**

**(i) Recognition and Initial Measurement**

Trade receivables are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the MPAO becomes a party to the contractual provisions of the instrument.

A financial asset (Unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL (fair value through profit or loss), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

**(ii) Classification and Subsequent Measurement**

**Financial assets**

On initial recognition, a financial asset is classified as measured at: amortized cost; FVOCI (fair value through other comprehensive income) – debt investment; FVOCI – equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the MPAO changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the reporting period following the change in the business model. A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- It is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

**MALDIVES PENSION ADMINISTRATION OFFICE  
(FORMED UNDER THE MALDIVES PENSION ACT NO. 8/2009)  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**3.2 Financial Instruments (Continued)**

**(ii) Classification and Subsequent Measurement (Continued)**

**Financial assets – Subsequent measurement and gains and losses**

Financial assets at amortized cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on de-recognition is recognised in profit or loss.
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**Financial liabilities – Classification, subsequent measurement and gains and losses**

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held for trading, it is a derivative or it is designated as such on initial recognition.

Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on de-recognition is also recognized in profit or loss.

**(iii) De-recognition**

**Financial Assets**

The MPAO derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the MPAO neither transfer nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

**Financial Liabilities**

The MPAO derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The MPAO also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

On de-recognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid is recognized in profit or loss.

**3.3 Impairment**

**(i) Financial Assets (including receivables)**

The MPAO recognize loss allowance for ECLs (Expected Credit Loss) on financial assets measured at amortized cost.

**MALDIVES PENSION ADMINISTRATION OFFICE  
(FORMED UNDER THE MALDIVES PENSION ACT NO. 8/2009)  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**3.3. Impairment (Continued)**

**(i) Financial Assets (including receivables) (Continued)**

The MPAO measures loss allowances at an amount equal to lifetime ECLs, except for the following, which measured at 12-month ECLs.

- Debt instruments that are determined to have low credit risk at the reporting date; and
- Other debt securities and bank balances for which credit risk has not increased significantly since initial recognition.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the MPAO considers reasonable and supportable information that is relevant and available without undue cost or effort.

This includes both quantitative and qualitative information and analysis, based on the MPAO's historical experience and informed credit assessment and including forward looking information.

ECLs are probability-weighted estimate of credit losses. Credit losses are measured as the present value of all the cash shortfalls. ECLs are discounted at the effective interest rate of the financial asset.

**(ii) Non – Financial Assets**

The carrying amounts of the MPAO's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

The recoverable amount of an asset or a cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets.

**3.4 Leases**

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company uses the definition of a lease in IFRS 16.

**(i) As a lessee**

At commencement or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property the Company has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

**MALDIVES PENSION ADMINISTRATION OFFICE  
(FORMED UNDER THE MALDIVES PENSION ACT NO. 8/2009)  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**3.4 Leases (Continued)**

**(i) As a lessee (Continued)**

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs

incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right-of-use asset reflects that the Company will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liability.

The Company determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, if the Company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Company presents right-of-use assets that do not meet the definition of investment property in "Right-of-Use Asset" and lease liability in "Lease Liability" in the statement of financial position.

**Short-term leases and leases of low-value assets**

The Company has elected not to recognize right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including IT equipment. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

**MALDIVES PENSION ADMINISTRATION OFFICE  
(FORMED UNDER THE MALDIVES PENSION ACT NO. 8/2009)  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**3.5 Furniture and Equipment**

**(i) Recognition and Measurement**

Items of furniture and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labor, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located and capitalized borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

When parts of an item of furniture and equipment have different useful lives, they are accounted for as separate items (major components) of furniture and equipment.

Gains and losses on disposal of an item of furniture and equipment are determined by comparing the proceeds from disposal with the carrying amount of furniture and equipment and are recognized net within other income in profit or loss.

**(ii) Subsequent Costs**

The cost of replacing a part of an item of furniture and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to MPAO, and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of furniture and equipment are recognized in profit or loss as incurred.

**(iii) Depreciation**

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of furniture and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that MPAO will obtain ownership by the end of the lease term. Land is not depreciated.

The estimated useful lives for the current and comparative periods are as follows:

Computers and Communication Equipment	3-5 years
Furniture and Fittings	3 years
Office Equipment	3-5 years

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate. The charge for the depreciation commences from the month on which the furniture and equipment are ready for use.

**MALDIVES PENSION ADMINISTRATION OFFICE  
(FORMED UNDER THE MALDIVES PENSION ACT NO. 8/2009)  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**3.6 Intangible Asset**

**(I) Recognition and Measurement**

Intangible assets that are acquired by the entity and have finite useful lives are measured at cost less accumulated amortization and accumulated impairment losses if any.

**(ii) Subsequent Expenditure**

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognized in profit or loss when incurred.

**(iii) Amortization**

Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use. The estimated useful

lives for the current and comparative periods are as follows:

Computer Software	Over 5 years
-------------------	--------------

Amortization methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

**3.7 Provisions**

A provision is recognized if, as a result of a past event, MPAO has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

**3.8 Interest Income**

Interest income is recognized as it accrues, using the original effective interest rate of the fixed deposit calculated at the acquisition or origination date.

**3.9 Income**

Management fee income is recognized on accrual basis when the management service is provided.

**3.10 Events Occurring After the Reporting Date**

The materiality of the events occurring after the reporting date has been considered and appropriate adjustments and provisions have been made in the financial statements wherever necessary.

**MALDIVES PENSION ADMINISTRATION OFFICE  
(FORMED UNDER THE MALDIVES PENSION ACT NO. 8/2009)  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**4. MEASUREMENT OF FAIR VALUES**

A number of the Company's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

The Company has an established control framework with respect to the measurement of fair values. This includes a valuation team that has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values, and reports directly to the chief financial officer.

The valuation team regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the valuation team assesses the evidence obtained from the third parties to support the conclusion that these valuations meet the requirements of the Standards, including the level in the fair value hierarchy in which the valuations should be classified.

When measuring the fair value of an asset or a liability, the Company uses observable market data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

**5. NEW STANDARDS AND INTERPRATATIONS**

A number of new standards are effective for annual periods beginning after 1 January 2020 and earlier application is permitted; however, the Company has not early adopted the new or amended standards interpretations in these financial statements.

The following amended standards and interpretations are not expected to have a significant impact on the Company's financial statements.

- Classification of Liabilities as Current or Non-current (Amendments to IAS 1)
- Amendments to References to Conceptual Framework in IFRS Standards.
- Definition of Material (Amendments to IAS 1 and IAS 8)
- Interest Rate Benchmark Reform (Amendment to IFRS 9, IAS 39 and IFRS 7)

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**FOR THE YEAR ENDED 31 DECEMBER 2020**

<b>6 INCOME</b>	<b>2020 MVR</b>	<b>2019 MVR</b>
Management fee	67,227,203	57,727,167
	<u>67,227,203</u>	<u>57,727,167</u>

Management fee is the income recognized for administration and management of assets of the MRPS. Management fee is charged on accrual basis based on the daily net asset value of the members' balance at the rate of 0.6% (2019: 0.6%) per annum.

<b>7 OTHER INCOME</b>	<b>2020 MVR</b>	<b>2019 MVR</b>
Fines	500,700	487,500
Sponsors for finance forum	-	288,000
Miscellaneous income	111,372	72,760
Interest income	3,581,193	2,245,760
	<u>4,193,265</u>	<u>3,094,020</u>

<b>8 SALARIES AND ALLOWANCES</b>	<b>2020 MVR</b>	<b>2019 MVR</b>
Directors' remuneration	1,139,432	1,076,210
MRPS contribution	819,872	850,105
Employee insurance	275,893	336,816
Salaries and wages	17,240,507	18,080,243
Staff training and development	127,953	1,372,268
Gratuity expense	432,000	-
Other staff related expenses	288,886	339,309
	<u>20,324,543</u>	<u>22,054,951</u>

<b>9 BANK CHARGES AND CUSTODIAN FEES</b>	<b>2020 MVR</b>	<b>2019 MVR</b>
Bank charges	58,929	65,881
Custodian fees ( <b>Note: 9.1</b> )	6,000,000	6,000,000
Other charges	120,693	-
	<u>6,179,622</u>	<u>6,065,881</u>

**9.1** Custodian fee is paid to Bank of Maldives for provision of Custodian Services to MRPS under an agreement between MPAO and Bank of Maldives. Custodian fee is charged based on assets under custody. The fee rates are 0.16% up to MVR 5 Billion and 0.10% thereafter till June 2017. From July 2017 onwards MPAO is charged a fixed amount of MVR 6 Million per year.



**MALDIVES PENSION ADMINISTRATION OFFICE  
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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**FOR THE YEAR ENDED 31 DECEMBER 2020**

**10 FURNITURE AND EQUIPMENT**

	Computer and Accessories		Furniture and Fittings		Office Equipment		Total	
	MVR		MVR		MVR		31/12/2020	31/12/2019
<b>Cost</b>								
Opening balance	2,409,069		3,660,357		1,141,235		7,210,661	7,184,291
Addition during the year	296,331		91,267		-		387,598	451,146
Disposal during the year	-		(93,141)		-		(93,141)	(424,775)
<b>Closing balance</b>	<b>2,705,400</b>		<b>3,658,483</b>		<b>1,141,235</b>		<b>7,505,118</b>	<b>7,210,662</b>
<b>Accumulated depreciation</b>								
Opening balance	1,791,587		2,934,252		829,475		5,555,314	3,981,307
Charge during the year	422,804		404,485		151,682		978,971	1,895,143
Disposal during the year	-		(93,141)		-		(93,141)	(321,137)
<b>Closing balance</b>	<b>2,214,391</b>		<b>3,245,596</b>		<b>981,157</b>		<b>6,441,144</b>	<b>5,555,313</b>
<b>Net carrying values</b>								
As at 31 December 2020	491,009		412,887		160,078		1,063,974	
As at 31 December 2019	617,482		726,105		311,760			1,655,349

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FOR THE YEAR ENDED 31 DECEMBER 2020

11 INTANGIBLE ASSETS	31/12/2020 MVR	31/12/2019 MVR
<b>Cost</b>		
Opening balance	8,780,930	8,780,930
Additions during the year	-	-
Closing balance	<u>8,780,930</u>	<u>8,780,930</u>
<b>Accumulated amortization</b>		
Opening balance	8,669,927	8,542,093
Amortization during the Year	58,733	127,834
Closing balance	<u>8,728,660</u>	<u>8,669,927</u>
<b>Net carrying value</b>	<u><u>52,270</u></u>	<u><u>111,003</u></u>

Intangible assets includes the Data Centre Virtualization Project and Human Resource and Payroll Management System.

12 RIGHT-OF-USE ASSET	31/12/2020 MVR	31/12/2019 MVR
<b>Cost</b>		
Opening balance	22,047,786	-
Transfer from prepaid lease rent	-	22,047,786
Closing balance	<u>22,047,786</u>	<u>22,047,786</u>
<b>Accumulated depreciation</b>		
Opening balance	960,000	-
Depreciation charge during the Year	960,000	960,000
Closing balance	<u>1,920,000</u>	<u>960,000</u>
<b>Net carrying value</b>	<u><u>20,127,786</u></u>	<u><u>21,087,786</u></u>

13 INVESTMENT IN FIXED DEPOSIT	31/12/2020 MVR	31/12/2019 MVR
Opening balance	59,651,924	20,343,151
Addition for the year (Note:13.1)	103,000,000	68,000,000
Matured during the year	(60,749,725)	(30,936,987)
Interest income	3,581,193	2,245,760
Closing balance	<u>105,483,392</u>	<u>59,651,924</u>

13.1 INVESTMENT IN FIXED DEPOSIT(ADDITIONS)

Bank of deposits	Date of opened	Interest rate	MVR
			Amount
Habib Bank	4/6/2020	4.91%	20,000,000
Commercial Bank of Maldives	4/9/2020	5.00%	30,000,000
Habib Bank	7/20/2020	4.81%	22,000,000
Habib Bank	11/18/2020	4.71%	31,000,000
<b>Total</b>			<u><u>103,000,000</u></u>

MALDIVES PENSION ADMINISTRATION OFFICE  
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FOR THE YEAR ENDED 31 DECEMBER 2020

14 OTHER RECEIVABLES	31/12/2020 MVR	31/12/2019 MVR
Assets management fee receivables	6,190,523	5,536,274
Prepayments	276,930	282,864
MRPS fines receivables	4,700	8,300
Retention allowance (Note 14.1)	189,451	269,451
	<u>6,661,604</u>	<u>6,096,889</u>

14.1 As per the Remuneration and Nomination committee resolution No. 11/2018 dated 10 May 2018, MPAO has granted retention allowance of MVR 400,000 to the employees which has been amortized over 5 year period.

15 CASH AND CASH EQUIVALENTS	31/12/2020 MVR	31/12/2019 MVR
<b>Favorable balance</b>		
Cash in hand	5,977	2,519
Balance with banks	17,121,916	28,887,764
<b>Unfavorable balance</b>		
Credit card balance	(76,078)	(14,604)
Cash and cash equivalent in the statement of cash flow purp.	<u>17,051,815</u>	<u>28,875,679</u>

16 CAPITAL AND GENERAL RESERVE	31/12/2020 MVR	31/12/2019 MVR
Opening balance	15,000,000	10,000,000
Transferred from accumulated fund	5,000,000	5,000,000
Closing balance	<u>20,000,000</u>	<u>15,000,000</u>

Pursuant to the Board meeting No. 126/2016 dated 1 November 2016, capital and general reserve is set up by MPAO. Accordingly, MVR 5 million is transferred annually from accumulated funds to capital and general reserve to buildup an amount of MVR 20 million in capital and general reserve for the purpose of fixed an Intangible assets replacement.

17 OTHER PAYABLES	31/12/2020 MVR	31/12/2019 MVR
Accrued expenses	2,115,557	3,026,903
Custodian fee	3,050,000	3,000,000
Pension contribution payable	151,310	86,855
Payable to ministry of finance (Note 17.1)	1,730,578	2,817,176
	<u>7,047,446</u>	<u>8,930,934</u>

**MALDIVES PENSION ADMINISTRATION OFFICE  
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**FOR THE YEAR ENDED 31 DECEMBER 2020**

- 17.1 This amount represents excess collections to be refunded to Ministry of Finance (MOF) as at reporting date. MPAO disburses state funded pension under an agency agreement with MOF. MPAO invoices MOF for state pensions and on receipt of funds from MOF disbursements are made to beneficiaries.

**18 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT - FAIR VAUE AND RISK**

**(A) Accounting classification and fair values**

The following table shows the carrying amounts and fair values of financial assets financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair values.

31 December 2020	Financial assets at amortized cost MVR	Other financial liabilities MVR	Total carrying amount MVR	Fair values MVR	Fair value hierarchy
<b>Financial assets</b>					
Investments in fixed deposits	105,483,392	-	105,483,392	105,483,392	Level II
Other receivables	6,384,674	-	6,384,674	6,384,674	
Cash and cash equivalents	17,121,916	-	17,121,916	17,121,916	
	<u>128,989,982</u>	<u>-</u>	<u>128,989,982</u>	<u>128,989,982</u>	
<b>Financial liabilities</b>					
Other payables	-	7,047,446	7,047,446	7,047,446	
Credit card balance	-	76,078	76,078	76,078	
	<u>-</u>	<u>7,123,523</u>	<u>7,123,523</u>	<u>7,123,523</u>	
<b>31 December 2019</b>					
31 December 2019	Financial assets at amortized MVR	Other financial liabilities MVR	Total carrying amount MVR	Fair values MVR	Fair value hierarchy
<b>Financial assets</b>					
Investments in fixed deposits	59,651,924	-	59,651,924	59,651,924	Level II
Other receivables	5,814,025	-	5,814,025	5,814,025	
Cash and cash equivalents	28,887,764	-	28,887,764	28,887,764	
	<u>94,353,713</u>	<u>-</u>	<u>94,353,713</u>	<u>94,353,713</u>	
<b>Financial liabilities</b>					
Other payables	-	8,930,934	8,930,934	8,930,934	
Credit card balance	-	14,604	14,604	14,604	
	<u>-</u>	<u>8,945,538</u>	<u>8,945,538</u>	<u>8,945,538</u>	

Above balances not included non financial assets and non financial liabilities.

MALDIVES PENSION ADMINISTRATION OFFICE  
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19 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT - FAIR VALUE AND RISK  
MANAGEMENT (CONTINUED)

**(B) Financial risk management**

**Overview**

The MPAO has exposure to the following risks from its uses of financial instruments;

- Credit Risk
- Liquidity Risk
- Market Risk

This note presents information about the MPAO's exposure to each of the above risks, MPAO's objectives, policies and process for measuring and managing risk, and MPAO's financial statements.

**Risk management framework**

The Board of Directors has overall responsibility for the establishment and oversight of the MPAO's risk management framework.

The main risks arising from the MPAO's financial statements are credit risk, liquidity risk and market risk. The policies for managing each of these risks are summarized below.

**(i) Credit risk**

Credit risk is the risk of financial loss of MPAO's if a debtor fails to meet its contractual obligations. The credit risk arises principally from other receivables and investments in fixed deposits as at 31 December 2020.

The MPAO believes that the unimpaired amounts that is outstanding are still collectible, based on historical payment behaviour. Based on historic default rates. The MPAO believes that no provision for impairment is necessary in respect of trade receivables.

**Cash and cash equivalent**

The MPAO held cash and equivalents of MVR 16,900,505/- as at 31 December 2020 (2019 - MVR 28,875,679/-).

MALDIVES PENSION ADMINISTRATION OFFICE  
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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

19 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT - FAIR VAUE AND RISK  
MANAGEMNT (CONTINUED)

(ii) Liquidity risk

Liquidity risk is the risk that MPAO will encounter difficulty in meeting the obligations associates with its financial liabilities that are settled by delivering cash or another financial asset. MPAO's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity when due, without incurring unacceptable losses or risking damage to MPAO's reputation.

31 December 2020

	Carrying Amount MVR	0-6 Months MVR
<b>Financial liabilities (Non- derivative)</b>		
Other payables	7,047,446	7,047,446
Credit card balance	76,078	76,078
	<u>7,123,524</u>	<u>7,123,524</u>

31 December 2019

	Carrying Amount MVR	0-6 Months MVR
Other payables	8,930,934	8,930,934
Credit card balance	14,604	14,604
	<u>8,945,538</u>	<u>8,945,538</u>

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

(iii) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the MPAO's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

(a) Interest rate risk

At the reporting date, the interest rate profile of the MRPS's interest-bearing financial instruments was:

Fixed rate instruments	Carrying Amount	
	31/12/2020 MVR	31/12/2019 MVR
Financial Assets	105,483,392	59,651,924
	<u>105,483,392</u>	<u>59,651,924</u>

MALDIVES PENSION ADMINISTRATION OFFICE  
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19 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT - FAIR VAUE AND RISK  
MANAGEMNT (CONTINUED)

(iii) Market risk (Continued)

(a) Interest rate risk (Continue)

The MPAO has account the financial assets and liabilities at fixed rate and therefore, a change in interest rate at the reporting date would not be affected to the profit or loss.

A change of 100 basis point in interest rates would have increased or decreased profit for the year ended 31 December 2020 by MVR 144,000/- (2019 : MVR 58,000/-). This analysis assumes that all the other variables remain constant.

(b) Currency risk

Currency risk is the risk that the values of a financial instrument will fluctuate due to changes in foreign exchange rates. This represent exposure the MPAO has due to changes in the values of current holding and future cash flow positions denominated in currencies other than the local currency.

	31/12/2020 USD	31/12/2019 USD
Cash and cash equivalents	99,454	103,590
Credit card balance	4,934	947
	<u>104,388</u>	<u>104,537</u>

The following significant exchange rate applied during the year:

	Average rate		Reporting date spot rate	
	2020	2019	31/12/2020	31/12/2019
1 United States Dollar : Maldives Rufiyaa	<u>15.42</u>	<u>15.42</u>	<u>15.42</u>	<u>15.42</u>

In respect of the monetary assets and liabilities denominated in MVR, the MPAO has limited currency risk exposure on such balances since the Maldivian Rufiyaa is pledged to the US Dollar within a band to fluctuate within  $\pm 20\%$  of the mid-point of exchange rate.

(iv) Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital and level of funds to members.

There were no changes in the MPAO's approach to capital management during the year. The MPAO is not subject to externally imposed capital requirements.

**MALDIVES PENSION ADMINISTRATION OFFICE  
(FORMED UNDER THE MALDIVES PENSION ACT NO. 8/2009)  
NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2020**

**20 CAPITAL COMMITMENTS**

There were no material capital commitments approved or contracted as at the reporting date.

**21 CONTINGENT LIABILITIES**

There were no material contingent liabilities as at the reporting date which require disclosure in the financial statements.

**22 COMPARATIVE FIGURES**

To facilitate comparison, relevant balances pertaining to the previous year have been re-classified to conform to current year's classification and presentation.

**23 EVENTS AFTER REPORTING DATE**

No circumstances have arisen since reporting date which require adjustments to / or disclosure in the financial statements.

**24 RELATED PARTY TRANSACTION**

MPAO is fully owned by the Government and the Board comprises eight members. Accordingly, MPAO has considered the Government of Maldives as a related party according to IAS 24 Related Party Disclosures. During the year ended 31 December 2020, MPAO has carried out transactions with the Government and other Government related entities in the ordinary cause of business.

Name of the Related Party	Relationship	Nature of Transactions	Amount		Balance as at	
			2020	2019	31/12/2020	31/12/2019
			MVR	MVR	MVR	MVR
Maldives Pension Retirement Scheme	Administration of Pension Fund	Management fee Settlement	67,227,203 (66,572,954)	57,727,167 (56,636,539)	6,190,523	5,536,274

MPAO has transactions with entities directly or indirectly controlled by the Government of Maldives, MRPS, agencies, affiliations and other organizations, collectively referred to as government entities. MPAO has transactions with MRPS including discretion in the administration of the scheme or management and forecast of pension assets and advising the Board on investment or having such responsibility to advise, although does not exercise it.

**24.1 Transaction with Key Management Personnel**

The Board of Directors of MPAO are members of the key management personnel. The MPAO has paid an amount of MVR 1,137,232/- to the key management personnel during the year ended 31 December 2020 (2019:1,076,210/-).



**MALDIVES RETIREMENT PENSION SCHEME  
(ADMINISTERED BY THE MALDIVES PENSION ADMINISTRATION OFFICE)**

**FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
31 DECEMBER 2020**

**MALDIVES RETIREMENT PENSION SCHEME  
(ADMINISTERED BY MALDIVES PENSION ADMINISTRATION OFFICE)  
FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2020**

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**Independent Auditors' Report  
To the members of Maldives Retirement Pension Scheme  
(Administered by Maldives Pension Administration Office)**

**Opinion**

We have audited the accompanying financial statements of Maldives Retirement Pension Scheme ("MRPS"), which comprise the statement of financial position as at 31 December 2020, the statements of comprehensive income, changes in net assets attributable to members and cash flows for the year then ended and notes to the financial statements, comprising a summary of significant accounting policies and other explanatory information set out in pages 4 to 30.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the MRPS as at 31 December 2020 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

**Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditors' Responsibilities* for the Audit of the Financial Statements section of our report. We are independent of the MRPS in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code"), together with the ethical requirements that are relevant to our audit of the financial statements in Maldives 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.

**Emphasis of Matters - Restatement of Comparative Balances**

We draw attention to Note 24 to the financial statements, which describes MRPS had not recognized contribution receivables in the financial statements as at 31 December 2018 and 31 December 2019. As a result, the contribution income, accumulated members' balance and contribution receivable had been understated. This is now corrected and disclosed as comparative in this financial statement. Our opinion is not modified in respect of this matter.

**Other Information**

The Board of Members (the "Board") is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditors' report thereon. The annual report is expected to be made available to us after the date of this auditors' report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

**Other Information (Continued)**

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the Board.

**Responsibilities of the Board of Members for the Financial Statements**

The Board of Members ("the Board") is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, and for such internal control as the Board 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, the Board is responsible for assessing the MRPS'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 the Board either intends to liquidate the MRPS or to cease operations, or has no realistic alternative but to do so.

The Board of Directors are responsible for overseeing the MRPS's financial reporting processes

**Auditors' 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 auditors' 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 taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment 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, design and perform audit procedures responsive to those risks, and 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 MRPS's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board.
- Conclude on the appropriateness of the Board'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 MRPS's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the MRPS to cease to continue as a going concern.

**Auditors' Responsibilities for the Audit of the Financial Statements (Continued)**

- 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 the Board 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 identify during our audit.



**R. W. M. O. W. Duminda B. Rathnadiwakara**  
For and on behalf of KPMG Maldives

21 April 2021  
Male'

**MALDIVES RETIREMENT PENSION SCHEME  
(ADMINISTERED BY MALDIVES PENSION ADMINISTRATION OFFICE)  
STATEMENT OF COMPREHENSIVE INCOME**

<b>FOR THE YEAR ENDED 31 DECEMBER</b>	<b>Note</b>	<b>2020 MVR</b>	<b>2019 MVR (Restated)*</b>
<b>Income</b>			
Net contribution	6	1,034,632,648	1,096,470,320
Interest income	7	674,961,587	589,459,819
Dividend income	8	55,436,952	55,220,428
Other income	9	1,198,128	426,662
<b>Total income</b>		<u>1,766,229,315</u>	<u>1,741,577,229</u>
<b>Operating expenses</b>			
Administrative expenses	10	<u>67,227,205</u>	<u>57,727,167</u>
<b>Total expenses</b>		<u>67,227,205</u>	<u>57,727,167</u>
<b>Increase in net assets attributable to members</b>		<u><u>1,699,002,110</u></u>	<u><u>1,683,850,062</u></u>

\*Comparative information has been restated due to a correction. See note 24.

These financial statements are to be read in conjunction with the related notes, which form an integral part of the financial statements of the MRPS set out on pages 8 to 30. The Report of the Independent Auditors is given on pages 1 and 3.

**MALDIVES RETIREMENT PENSION SCHEME  
(ADMINISTERED BY MALDIVES PENSION ADMINISTRATION OFFICE)  
STATEMENT OF FINANCIAL POSITION**

AS AT	Note	12/31/2020 MVR	12/31/2019 MVR (Restated)*	1/1/2019 MVR (Restated)*
<b>ASSETS</b>				
Cash and cash equivalents	11	37,684,583	27,503,083	22,973,405
Contribution and other receivables	12	125,395,542	113,762,119	113,507,736
Investment in financial assets	13	11,877,471,266	10,303,608,429	8,736,796,164
Recognition bond	14	3,631,167,429	3,529,206,250	3,422,759,616
Housing collateralization deposit	15	33,579,865	31,103,085	25,821,294
<b>Total Assets</b>		<u>15,705,298,685</u>	<u>14,005,182,966</u>	<u>12,321,858,215</u>
<b>LIABILITIES</b>				
Other payables	16	6,860,114	6,980,927	5,511,797
Contribution collection accounts		1,912,105	677,683	2,672,124
<b>Total liabilities (excluding net assets attributable to members)</b>		<u>8,772,219</u>	<u>7,658,610</u>	<u>8,183,921</u>
<b>ACCUMULATED MEMBERS' BALANCE</b>				
Accumulated members' balance		15,696,526,466	13,997,524,356	12,313,674,294
<b>Total accumulated members' balance and</b>		<u>15,705,298,685</u>	<u>14,005,182,966</u>	<u>12,321,858,215</u>

\*Comparative information has been restated due to a correction. See note 24.

These financial statements are to be read in conjunction with the related notes, which form an integral part of the financial statements of the MRPS set out on pages 8 to 30. The Report of the Independent Auditors is given on pages 1 and 3.

*JS Grindall*

.....  
**John Grindall**  
Chief Executive Officer

These Financial Statements were approved by the Board of Directors on 21 April 2021 and signed on its behalf by;

*Athifa Ali*

.....  
**Athifa Ali**  
Chairperson

*Abdul Haleem Abdul Latheef*

.....  
**Abdul Haleem Abdul Latheef**  
Director

**MALDIVES RETIREMENT PENSION SCHEME  
(ADMINISTERED BY MALDIVES PENSION ADMINISTRATION OFFICE)  
STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO MEMBERS**

**FOR THE YEAR ENDED 31 DECEMBER 2020**

		<u>Accumulated members balance</u>
	Note	<u>MVR</u>
As at 1 January 2019, as previously reported		12,207,752,128
Adjustment for restatement of contribution income	24	105,922,166
<b>Restated balance as at 1 January 2019</b>		<u>12,313,674,294</u>
Increase in net assets attributable to members		1,683,850,062
<b>Restated balance as at 31 December 2019</b>		<u>13,997,524,356</u>
<b>Balance as at 1 January 2020</b>		13,997,524,356
Increase in net assets attributable to members		1,699,002,110
<b>Balance as at 31 December 2020</b>		<u>15,696,526,466</u>

These financial statements are to be read in conjunction with the related notes, which form an integral part of the financial statements of the MRPS set out on pages 8 to 30. The Report of the Independent Auditors is given on pages 1 and 3.



**MALDIVES RETIREMENT PENSION SCHEME  
(ADMINISTERED BY MALDIVES PENSION ADMINISTRATION OFFICE)  
STATEMENT OF CASH FLOWS**

<b>FOR THE YEAR ENDED 31 DECEMBER</b>	<b>2020 MVR</b>	<b>2019 MVR</b>
<b>Cash flows from operating activities</b>		
Contribution received to contribution collection account	1,122,915,413	1,180,729,772
Accrued right received for matured recognition bond	40,030,435	40,359,335
Interest received for matured recognition bond	28,966,749	19,142,609
Fine on late contribution	937,481	949,459
Interest received	453,397,839	387,389,135
Management fee paid	(66,572,956)	(56,636,539)
Benefits paid to members	(102,000,281)	(91,517,444)
<b>Net cash from operating activities</b>	<u>1,477,674,680</u>	<u>1,480,416,327</u>
<b>Cash flows from investing activities</b>		
Dividend received	55,436,952	55,220,428
Net investments	(1,531,629,588)	(1,532,203,784)
Net investment in housing collateralization	(2,288,619)	(4,861,564)
Repayment on principle on bond	10,988,075	5,958,271
<b>Net cash used in investment activities</b>	<u>(1,467,493,180)</u>	<u>(1,475,886,649)</u>
Net increase in cash and cash equivalents	10,181,500	4,529,678
Cash and cash equivalents at beginning of the year	27,503,083	22,973,405
<b>Cash and cash equivalents at end of the year</b>	<u>37,684,583</u>	<u>27,503,083</u>

Figures in brackets indicate deductions.

These financial statements are to be read in conjunction with the related notes, which form an integral part of the financial statements of the MRPS set out on pages 8 to 30. The Report of the Independent Auditors is given on pages 1 and 3.

**MALDIVES RETIREMENT PENSION SCHEME  
(ADMINISTERED BY MALDIVES PENSION ADMINISTRATION OFFICE)  
NOTES TO THE FINANCIAL STATEMENTS**

**1. REPORTING ENTITY**

Maldives Retirement Pension Scheme (MRPS) was established under Maldives Pension Act No 8/2009 on 13 May 2009. The registered office is located at 8th Floor, Allied Building, Chaandhanee Magu, Male', Republic of Maldives.

The objective of MRPS is to provide a stable retirement income for the participants of the scheme based on the contributions made and performance of the investments. This forms an important pillar of the national social protection system. The MRPS is a Defined Contribution Scheme, where the employee and employer together contribute a minimum of 14% of the pensionable wage on a monthly basis to the scheme. The pension payout starts at retirement and pensioners are currently provided with monthly pension benefits for life expected at the time of retirement. The MRPS commenced in May 2010 with contribution from public Sector employees and in May 2011 with private sector employees.

The Investment and administration activities of MRPS are managed and administered by Maldives Pension Administration Office (MPAO) in accordance with the requirements of the Act.

**2. BASIS OF PREPARATION**

**(a) Statement of Compliance**

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs").

**(b) Basis of Measurement**

The financial statements have been prepared on the historical cost basis except financial instruments, which are measured at fair value. Summary of financial instrument policies are set out in note 3.2.

**(c) Functional and Presentation Currency**

These financial statements are presented in Maldivian Rufiyaa, which is the MRPS's functional currency. All financial information presented in Maldivian Rufiyaa has been rounded to the nearest Rufiyaa.

**(d) Use of Materiality, Offsetting and Rounding**

**Materiality and Aggregation**

Each material class of similar items is presented separately in the financial statements. Items of dissimilar nature or functions are presented separately unless they are immaterial.

**Offsetting**

Assets and liabilities and income and expenses in the financial statements are not set off unless required or permitted by IFRSs.

**Rounding**

The amounts in the financial statements have been rounded off to the nearest Rufiyaa, except where otherwise indicated.

**MALDIVES RETIREMENT PENSION SCHEME  
(ADMINISTERED BY MALDIVES PENSION ADMINISTRATION OFFICE)  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**2. BASIS OF PREPARATION (CONTINUED)**

**(e) Use of Estimates and Judgements and Assumptions**

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised prospectively.

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the MRPS's financial statements is included in the respective notes.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in the relevant notes.

**Going concern**

The Management has made an assessment of Fund's ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Therefore, the Financial Statements of the Fund continued to be prepared on a going concern basis. In addition to that specific accounting judgments, estimations and assumptions were used in following disclosures.

- Valuation of Financial Instruments
- The impairment of assets

**3. SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies set out below have been applied consistently to all periods presented in these financial statements and have been applied consistently by the MRPS.

**3.1 Foreign Currency Transactions**

Transactions in foreign currency are translated to Maldivian Rufiyaa at the exchange rate ruling at the date of transaction. Monetary assets and liabilities denominated in currencies are translated to Maldivian Rufiyaa at the exchange rate ruling at the reporting date. Foreign exchange differences arising on translation are recognized in the statement of changes in net assets available for benefits.

Non-monetary assets and liabilities, which are measured at historical cost, denominated in foreign currencies other than Maldivian Rufiyaa, are translated to Maldivian Rufiyaa at the exchange rates ruling at the dates of transactions. Non-monetary assets and liabilities, which are stated at fair value, denominated in foreign currencies are translated to Maldivian Rufiyaa at the exchange rates ruling at the dates the values were determined.

**MALDIVES RETIREMENT PENSION SCHEME  
(ADMINISTERED BY MALDIVES PENSION ADMINISTRATION OFFICE)  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**3.2 Financial Instruments**

**i. Recognition and initial measurement**

Trade receivables are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the MRPS becomes a party to the contractual provisions of the instrument.

A financial asset (Unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL (fair value through profit or loss), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

**ii. Classification and subsequent measurement**

**Financial assets**

On initial recognition, a financial asset is classified as measured at: amortized cost; FVOCI (fair value through other comprehensive income) – debt investment; FVOCI – equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the MRPS changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the reporting period following the change in the business model. A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- It is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- It is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

**MALDIVES RETIREMENT PENSION SCHEME  
(ADMINISTERED BY MALDIVES PENSION ADMINISTRATION OFFICE)  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**3.2 Financial Instruments (Continued)**

**Financial assets – Subsequent measurement and gains and losses**

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.
Financial assets at amortized cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on de-recognition is recognised in profit or loss.
Debt investments at FVOCI	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.
Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

**Financial liabilities – Classification, subsequent measurement and gains and losses**

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held for trading, it is a derivative or it is designated as such on initial recognition.

Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on de-recognition is also recognized in profit or loss.

**iii De-recognition**

**Financial assets**

The MRPS derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the MRPS neither transfer nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

**MALDIVES RETIREMENT PENSION SCHEME  
(ADMINISTERED BY MALDIVES PENSION ADMINISTRATION OFFICE)  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**3.2 Financial Instruments (Continued)**

**Financial liabilities**

The MRPS derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The MRPS also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

On de-recognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid is recognized in profit or loss.

**3.3 Impairment**

**(i) Financial Assets (including receivables)**

The MRPS recognize loss allowance for ECLs (Expected Credit Loss) on financial assets measured at amortized cost.

The MRPS measures loss allowances at an amount equal to lifetime ECLs, except for the following, which measured at 12-month ECLs.

- Debt instruments that are determined to have low credit risk at the reporting date; and
- Other debt securities and bank balances for which credit risk has not increased significantly since initial recognition.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the MRPS considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward looking information.

ECLs are probability-weighted estimate of credit losses. Credit losses are measured as the present value of all the cash shortfalls. ECLs are discounted at the effective interest rate of the financial asset.

**(ii) Non-financial Assets**

The carrying amounts of the MRPS's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

The recoverable amount of an asset or a cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets.

**MALDIVES RETIREMENT PENSION SCHEME  
(ADMINISTERED BY MALDIVES PENSION ADMINISTRATION OFFICE)  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**3.4 Provisions**

A provision is recognized if, as a result of a past event, the MRPS has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

**3.5 Investment Income**

Interest income is recognized as it accrues, using the original effective interest rate of the instrument calculated at the acquisition or origination date. Interest income includes the amortization of any discount or premium, transaction cost or other differences between the initial carrying amount of an interest bearing instrument and its amount at maturity calculated on an effective interest rate basis.

Dividend income is recognized in the income statement when the right to receive dividend is declared.

**3.6 Contribution Revenue**

Contribution revenue from employees and members is recognized when the control and the benefits from the revenue have transferred to the MRPS. Any un-reconciled contributions are held in Contribution Collection Account and are not recognized as revenue.

Contribution revenue from accrued rights is recognized when the government issues the recognition bonds for respective employees.

Revenue from fines on late contribution payments are recognized on accrual basis to the extent that the amount is recoverable.

**3.7 Events Occurring After the Reporting Date**

The materiality of the events occurring after the reporting date has been considered and appropriate adjustments and provisions have been made in the financial statements wherever necessary.

**4. DETERMINATION OF FAIR VALUES**

A number of the MRPS's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

The MRPS has an established control framework with respect to the measurement of fair values. This includes a valuation team that has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values, and reports directly to the chief financial officer.

The valuation team regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the valuation team assesses the evidence obtained from the third parties to support the conclusion that these valuations meet the requirements of the Standards, including the level in the fair value hierarchy in which the valuations should be classified.

**MALDIVES RETIREMENT PENSION SCHEME  
(ADMINISTERED BY MALDIVES PENSION ADMINISTRATION OFFICE)  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**4. DETERMINATION OF FAIR VALUES (CONTINUED)**

When measuring the fair value of an asset or a liability, the MRPS uses observable market data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

**5. NEW STANDARDS AND INTERPRATATIONS NOT YET ADOPTED**

Following new standards, amendments to standards and interpretations applicable to the financial statements of the MRPS are effective for annual periods beginning after 1 January 2020 and earlier application is permitted, however the MRPS has not applied the following new or amended standards interpretations in these financial statements.

The following amended standards and interpretations are not expected to have a significant impact on the MRPS's financial statements.

- Onerous Contracts – Cost of Fulfilling a Contract (Amendment to IAS 37)
- Classification of Liabilities as Current or Non-current (Amendments to IAS 1)
- Reference to the Contractual Framework (Amendment to IFRS 3)
- Annual improvement for the IFRS 2018 to 2020



**MALDIVES RETIREMENT PENSION SCHEME  
(ADMINISTERED BY MALDIVES PENSION ADMINISTRATION OFFICE)  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**FOR THE YEAR ENDED 31 DECEMBER 2020**

<b>6 NET CONTRIBUTION</b>	<b>2020</b>	<b>2019</b>
	<b>MVR</b>	<b>MVR</b>
<b>CONTRIBUTION INCOME</b>		<b>(Restated)</b>
Contribution from employers	575,323,897	602,493,944
Contribution from members	560,135,158	584,873,739
Contribution from self-employed members	89,043	20,640
Contribution from government on accrued rights (Note 14.1)	1,084,832	557,715
	<u>1,136,632,929</u>	<u>1,187,946,039</u>
<b>CONTRIBUTION PAID</b>		
Benefits paid to members	102,000,281	91,475,719
	<u>102,000,281</u>	<u>91,475,719</u>
<b>NET CONTRIBUTION</b>	<u>1,034,632,648</u>	<u>1,096,470,320</u>
<b>7 INTEREST INCOME</b>	<b>2020</b>	<b>2019</b>
	<b>MVR</b>	<b>MVR</b>
Interest on recognition of bonds (Note 7.1)	168,101,602	161,503,932
Interest on treasury bonds	172,566,793	158,955,660
Interest on treasury bills	289,065,389	236,916,878
Interest on fixed deposits	20,620,195	17,643,991
Interest on HDFC bonds	9,264,310	5,619,502
Income on sukuk	14,024,071	7,946,622
Income on collateralization deposit	1,319,227	873,234
	<u>674,961,587</u>	<u>589,459,819</u>

**7.1 Interest income from recognition bonds**

Interest on recognition bonds is calculated based on highest annual fixed deposit rate issued by the Maldivian Monetary Authority during the previous year. Highest annual fixed deposit rate for the year ended 31 December 2020 was 4.78%. (2019 - 4.80%)

**MALDIVES RETIREMENT PENSION SCHEME  
(ADMINISTERED BY MALDIVES PENSION ADMINISTRATION OFFICE)  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**FOR THE YEAR ENDED 31 DECEMBER 2020**

<b>8 DIVIDEND INCOME</b>	<b>2020</b>	<b>2019</b>
	<b>MVR</b>	<b>MVR</b>
Dividend from equity securities - Quoted	55,436,952	55,220,428
	<u>55,436,952</u>	<u>55,220,428</u>
<b>9 OTHER INCOME</b>	<b>2020</b>	<b>2019</b>
	<b>MVR</b>	<b>MVR</b>
		<b>(Restated)</b>
Fines on late contribution	1,198,128	426,662
	<u>1,198,128</u>	<u>426,662</u>
<b>10 ADMINISTRATIVE EXPENSES</b>	<b>2020</b>	<b>2019</b>
	<b>MVR</b>	<b>MVR</b>
Management fee (Note 10.1)	67,227,205	57,727,167
	<u>67,227,205</u>	<u>57,727,167</u>

**10.1 Management fee**

In accordance with section 6(d) of the Maldivian Pension Act 8/2009, the MPOA is entitled to charge a fee from the members based on the daily asset value of the members balance of the MRPS. (Prior to 2013 the fee was charged only on the member balances in the Investment Portfolio). The Board of MPAO decided to levy a fee on the Sharia and Conservative Portfolio members effective from January 2013. The fees are reviewed annually. Management fees are recognized monthly on accrual basis at 0.6% per annum on each month end net asset value. (2019 - 0.6%)

<b>11 CASH AND CASH EQUIVALENT</b>	<b>31/12/2020</b>	<b>31/12/2019</b>
	<b>MVR</b>	<b>MVR</b>
Cash at bank (Note 11.1)	37,684,583	27,503,083
Cash and cash equivalent in the Statements of Cash Flows	<u>37,684,583</u>	<u>27,503,083</u>
<b>11.1 Balances with Banks</b>	<b>31/12/2020</b>	<b>31/12/2019</b>
	<b>MVR</b>	<b>MVR</b>
Cash balance in Contribution Holding Account	35,177,152	25,905,545
Cash balance in Contribution Collection Account	1,912,105	677,683
Cash balance in Maldives Islamic Bank	586,991	909,461
Cash balance in Mauritius Commercial Bank	8,335	10,394
	<u>37,684,583</u>	<u>27,503,083</u>

**MALDIVES RETIREMENT PENSION SCHEME  
(ADMINISTERED BY MALDIVES PENSION ADMINISTRATION OFFICE)  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**FOR THE YEAR ENDED 31 DECEMBER 2020**

<b>12 CONTRIBUTION AND OTHER RECEIVABLES</b>	<b>31/12/2020 MVR</b>	<b>31/12/2019 MVR (Restated)</b>	<b>1/1/2019 MVR (Restated)</b>
Contribution receivables	124,961,380	109,890,696	105,922,166
Receivable for accrued rights matured	240,030	3,096,791	6,983,722
Other receivables	194,132	774,632	601,848
	<u>125,395,542</u>	<u>113,762,119</u>	<u>113,507,736</u>
<b>13 INVESTMENT IN FINANCIAL ASSETS</b>		<b>31/12/2020 MVR</b>	<b>31/12/2019 MVR</b>
Treasury bills - at amortized cost		7,119,547,251	5,712,193,016
Investment in Fixed deposit - at amortized cost		509,566,028	361,201,409
Investment in Sukuk - at amortized cost		197,172,120	197,142,249
Treasury bonds - at amortized cost		3,367,767,644	3,338,653,852
Investment in HDFC bond - at amortized cost (Note 13.1)		124,533,163	135,532,843
Equity securities – at FVOCI - (Note 13.2)		558,885,060	558,885,060
		<u>11,877,471,266</u>	<u>10,303,608,429</u>
<b>13.1 Investment in HDFC bond - at amortized cost</b>		<b>31/12/2020 MVR</b>	<b>31/12/2019 MVR</b>
Balance as at 1 January		135,532,843	77,171,114
Addition during the year		-	64,000,000
Interest accrued during the year		9,264,310	5,619,502
Interest received during the year		(9,275,915)	(5,299,502)
Principal repayment during the year		(10,988,075)	(5,958,271)
Balance as at 31 December		<u>124,533,163</u>	<u>135,532,843</u>

The MRPS has acquired 8,000 bonds of Housing Development Finance Corporation (HDFC) PLC at MVR 10,000/- each on 1 July 2018, carrying interest of 7% per annum. Repayment will take place in twenty semi-annual instalments commencing six month after the date of allotment.

The MRPS has acquired 64,000 bonds of Housing Development Finance Corporation (HDFC) PLC at MVR 1,000/- each on 5 December 2019, carrying interest of 7% per annum. Repayment will take place in twenty semi-annual instalments commencing six month after the date of allotment.

**MALDIVES RETIREMENT PENSION SCHEME  
(ADMINISTERED BY MALDIVES PENSION ADMINISTRATION OFFICE)  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**FOR THE YEAR ENDED 31 DECEMBER 2020**

**13 OTHER INVESTMENTS (CONTINUED)**

<b>13.2</b>	<b>Equity securities – at FVOCI</b>	<b>31/12/2020</b>	<b>31/12/2019</b>
		<b>MVR</b>	<b>MVR</b>
	Investment in equity shares (quoted) ( Note 13.3)	558,885,060	558,885,060
		<u>558,885,060</u>	<u>558,885,060</u>

**13.3 Investment in equity shares (quoted)**

	<u>Number of shares</u>		<u>Carrying value</u>	
	<u>31/12/2020</u>	<u>31/12/2019</u>	<u>31/12/2020</u>	<u>31/12/2019</u>
			<u>MVR</u>	<u>MVR</u>
Dhivehi Raajjeyge Gulhun PLC (DHR)	2,813,390	2,813,390	225,957,210	225,957,210
Ooredoo Maldives PLC (OMPL)	8,333,330	8,333,330	249,999,900	249,999,900
Maldives Islamic Bank PLC (MIB)	2,369,370	2,369,370	82,927,950	82,927,950
			<u>558,885,060</u>	<u>558,885,060</u>

Financial assets at fair value through other comprehensive Income, comprising principally marketable equity securities, are measured at fair value annually at the close of the business on 31 December. The management has performed a valuation on a basis of discounted cash flows to determine the fair value, since the absence of an active market.

**13.4 Measurement of fair values**

**(i) Fair value hierarchy**

The fair value of investment in equity shares was determined by the management and having appropriate recognized professional qualifications. The Management determines the fair value investment in equity shares every three months.

The fair value measurement for investment in equity shares has been categorized as a Level 3 fair value based on the inputs to the valuation technique used.

**MALDIVES RETIREMENT PENSION SCHEME  
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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**FOR THE YEAR ENDED 31 DECEMBER 2020**

**13 OTHER INVESTMENTS (CONTINUED)**

**13.4 Measurement of fair values (Continued)**

**(ii) Valuation technique and significant unobservable inputs**

<b>Valuation technique</b>	<b>Significant unobservable inputs</b>	<b>Inter-relationship between key unobservable inputs and fair value measurement</b>
<b>Dhiraagu and Ooredoo</b>		
<i>Discounted cash flows:</i> The valuation model considers the present value of future free cash flows of the investee, taking into account the expected earnings growth, Terminal growth and Capital Investments. The expected free cash flows are discounted using weighted average cost of capital (WACC).	<ul style="list-style-type: none"> <li>-Expected revenue growth (2020: 2%–8%, 2019: 6%–14%).</li> <li>-Terminal growth: (2020: 1% of the asset base, 2019: 1% of the asset base)</li> <li>-Capital Investment (2020: 8% - 10%, (2019: 10%)</li> <li>-WACC (2020: 10%–11%, (2019: 11%–12.3%)</li> </ul>	<p>The estimated fair value would increase / (decrease) if:</p> <ul style="list-style-type: none"> <li>-Expected revenue growth were higher / (lower);</li> <li>-Terminal growth and Capital Investments were higher / (lower); or</li> <li>-Weighted average cost of capital were lower / (higher).</li> </ul>
<b>Maldives Islamic Bank</b>		
<i>Residual Income:</i> The valuation model considers the cash flows an investee is capable of generating versus the return expected by the investor, taking into account the return on equity, terminal ROE and terminal growth. The expected residual income and terminal income are discounted using cost of equity.	<ul style="list-style-type: none"> <li>-ROE (2020: 15%, (2019: 15%).</li> <li>-Terminal ROE (2020: 17% , (2019: 17%)</li> <li>-Terminal growth (2020: 1% , (2019: 3%)</li> <li>-Cost of equity (2020: 13%, (2019: 13%)</li> </ul>	<p>The residual income would increase / (decrease) if:</p> <ul style="list-style-type: none"> <li>-Expected ROE were higher / (lower);</li> <li>-Terminal growth were higher / (lower); or</li> <li>-Cost of equity were lower / (higher).</li> </ul>

**MALDIVES RETIREMENT PENSION SCHEME  
(ADMINISTERED BY MALDIVES PENSION ADMINISTRATION OFFICE)  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**FOR THE YEAR ENDED 31 DECEMBER 2020**

<b>14 RECOGNITION BOND</b>	<b>31/12/2020</b>	<b>31/12/2019</b>
	<b>MVR</b>	<b>MVR</b>
Accrued pension rights receivable (Note 14.1)	2,006,179,516	2,043,353,190
Interest receivable on recognition bonds (Note 14.2)	1,624,987,913	1,485,853,060
	<u>3,631,167,429</u>	<u>3,529,206,250</u>

<b>14.1 Accrued pension rights receivable</b>		
Opening balance	2,043,353,190	2,075,998,964
Net adjustment to contribution from Government on accrued rights	1,084,832	557,715
Accrued rights matured during the year	(38,258,506)	(33,203,489)
Closing balance	<u>2,006,179,516</u>	<u>2,043,353,190</u>

In accordance with section 25 of the Maldives Pension Administration Act No. 8 of 2009, "public service employees" who have not reached the age of 65 years at the commencement of this Act shall have their Accrued Pension Rights deposited in their Retirement Savings Account in the form of recognition bonds of Government. As per the agreement dated 19 September 2011 Ministry of Finance and Treasury has agreed to recognize the Accrued Pension Rights" of MVR 2,380,156,835/- subject to a variation of 5% of the rights. Accordingly, MRPS has recognized revenue of MVR 2,380,156,835/- as contribution from Government on Accrued Pension Rights during the period ended 31 December 2010.

<b>14.2 Interest receivable on recognition bonds</b>	<b>31/12/2020</b>	<b>31/12/2019</b>
	<b>MVR</b>	<b>MVR</b>
Opening balance	1,485,853,060	1,346,760,652
Additions during the year	168,101,602	161,503,932
Paid during the year	(28,966,749)	(22,411,524)
Closing balance	<u>1,624,987,913</u>	<u>1,485,853,060</u>

As per section 25 of Pension Administration Act No 8 of 2009, the accrued rights of employees who were in employment with Government organizations at the time of commencement of this Act should be protected. In this regard, Ministry of Finance and Treasury issued recognition bonds to all employees. The face value of the bond and accrued interest thereon will mature on retirement or on the death of a member.

<b>15 HOUSING COLLATERALIZATION DEPOSIT</b>	<b>31/12/2020</b>	<b>31/12/2019</b>
	<b>MVR</b>	<b>MVR</b>
Opening balance	31,103,085	25,821,294
Additions during the year	3,231,444	5,043,654
Principle received during the year	(362,325)	(143,944)
Interest accrued during the year	686,065	1,300,201
Interest received during the year	(1,078,404)	(918,120)
Closing balance	<u>33,579,865</u>	<u>31,103,085</u>

The amounts under the heading "housing collateralization deposit" concern cash collateral pledged with Housing Development Finance Corporation (HDFC), Bank of Maldives (BML), Commercial Bank of Maldives (CBM), Maldives Islamic Bank (MIB) and The Mauritius Commercial Bank (Maldives) Private Limited (MCB) to facilitate the collateralization of accumulated Retirement Savings Account (RSA) for the purpose of paying the down payment in obtaining home finance for the members of Maldives Retirement Pension Scheme.

**MALDIVES RETIREMENT PENSION SCHEME  
(ADMINISTERED BY MALDIVES PENSION ADMINISTRATION OFFICE)  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**FOR THE YEAR ENDED 31 DECEMBER 2020**

<b>16 OTHER PAYABLES</b>	<b>31/12/2020</b>	<b>31/12/2019</b>
	<b>MVR</b>	<b>MVR</b>
Management fee payable	6,190,523	5,536,274
To be allocated to collateralization deposit members	653,337	1,286,498
Excess collection from employers	16,254	13,342
Other payables	-	144,813
	<u>6,860,114</u>	<u>6,980,927</u>

**17 CAPITAL COMMITMENTS**

There were no material capital commitments outstanding as at the reporting date.

**18 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT - FAIR VAUE AND RISK  
MANAGEMNT**

The following table shows the carrying amounts and fair values of financial assets financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair values.

**(A) Accounting classification and fair values**

**Fair Value Hierarchy**

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level I	Quoted (unadjusted) market prices in active markets for identical assets or liabilities
Level II	Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
Level III	Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

Assessing the significance of a particular input requires judgment, considering factors specific to the asset or liability.

**MALDIVES RETIREMENT PENSION SCHEME  
(ADMINISTERED BY MALDIVES PENSION ADMINISTRATION OFFICE)  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**FOR THE YEAR ENDED 31 DECEMBER 2020**

**18 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT - FAIR VALUE AND RISK MANAGEMENT (CONTINUED)**

(A) Accounting classification and fair values (Continued)

31 December 2020	Carrying amount				Fair value						
	Financial assets at amortised cost		FVOCI – equity instruments		Other financial liabilities		Total				
	MVR		MVR		MVR		Level I	Level II	Level III	Total	
<b>Financial assets</b>											
Cash and cash equivalents	37,684,583	-	-	-	-	-	-	-	-	-	-
Contribution and other receivables	125,395,542	-	-	-	-	-	-	-	-	-	-
Financial assets at amortised cost	11,318,586,206	-	-	-	-	-	-	-	-	-	-
Equity securities at FVOCI	-	558,885,060	-	-	-	-	-	-	-	558,885,060	558,885,060
Recognition bond	3,631,167,429	-	-	-	-	-	-	-	-	-	-
Housing collateralization deposit	33,579,865	-	-	-	-	-	-	-	-	-	-
	15,146,413,625	558,885,060	-	-	-	-	-	-	-	558,885,060	558,885,060
<b>Financial liabilities</b>											
Other payables	-	-	6,860,114	-	-	-	-	-	-	-	-
Contribution collection accounts	-	-	1,912,105	-	-	-	-	-	-	-	-
	-	-	8,772,219	-	-	-	-	-	-	-	-

Financial assets and liabilities included in above table other than equity securities at FVOCI, are not measured at fair value. Their carrying amount is a reasonable approximation of fair value.



**MALDIVES RETIREMENT PENSION SCHEME  
(ADMINISTERED BY MALDIVES PENSION ADMINISTRATION OFFICE)  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**FOR THE YEAR ENDED 31 DECEMBER 2020**

**18 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT - FAIR VALUE AND RISK MANAGEMENT (CONTINUED)**

**(A) Accounting classification and fair values (Continued)**

31 December 2019	Carrying amount			Fair value				
	Financial assets at amortised cost	FVOCI – equity instruments	Other financial liabilities	Total	Level I	Level II	Level III	Total
	MVR	MVR	MVR	MVR	MVR	MVR	MVR	MVR
<b>Financial assets</b>								
Cash and cash equivalents	27,503,083	-	-	27,503,083	-	-	-	-
Contribution and other receivables	113,762,119	-	-	113,762,119	-	-	-	-
Financial assets at amortized cost	9,744,723,369	-	-	9,744,723,369	-	-	-	-
Equity securities at FVOCI	-	558,885,060	-	558,885,060	-	-	558,885,060	558,885,060
Recognition bond	3,529,206,250	-	-	3,529,206,250	-	-	-	-
Housing collateralization deposit	31,103,085	-	-	31,103,085	-	-	-	-
	13,446,297,906	558,885,060	-	14,005,182,966	-	-	558,885,060	558,885,060
<b>Financial liabilities</b>								
Other Payables	-	-	6,980,927	6,980,927	-	-	-	-
Contribution collection accounts	-	-	677,683	677,683	-	-	-	-
	-	-	7,658,610	7,658,610	-	-	-	-

Financial assets and liabilities included in above table other than equity securities at FVOCI, are not measured at fair value. Their carrying amount is a reasonable approximation of fair value.

**MALDIVES RETIREMENT PENSION SCHEME  
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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**FOR THE YEAR ENDED 31 DECEMBER 2020**

**18 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT - FAIR VAUE AND RISK  
MANAGEMNT (CONTINUED)**

**(B) Financial risk management**

**Overview**

The MRPS has exposure to the following risks from its use of financial instruments:

- Credit Risk
- Market Risk
- Liquidity Risk

This note presents information about the MRPS's exposure to each of the above risks, the MRPS's objectives.

**Risk Management Framework**

The Board of Members has overall responsibility for the establishment and oversight of the MRPS's risk management framework.

**(i) Credit Risk**

Credit Risk is the risk of loss due to the inability or unwillingness of a borrower/ counter-party to meet its payment obligations. The credit risk of the MRPS is deemed minimal as 91.04% of the total investment is made in Government Securities. Composition of the investments of the MRPS as at the year end is as follows.

**Analysis of Risk Concentration – Investment Composition**

Investment	31/12/2020		31/12/2019	
	MVR	%	MVR	%
Government Securities	10,487,314,895	67.62%	9,050,846,868	65.43%
Recognition bond	3,631,167,429	23.41%	3,529,206,250	25.51%
Investment in Fixed Deposits	509,566,028	3.29%	361,201,409	2.61%
Corporate Debt Securities	321,705,283	2.07%	332,675,092	2.40%
Investment in Equity Securities	558,885,060	3.60%	558,885,060	4.04%
	<u>15,508,638,695</u>	<u>100%</u>	<u>13,832,814,679</u>	<u>100%</u>

**MALDIVES RETIREMENT PENSION SCHEME  
(ADMINISTERED BY MALDIVES PENSION ADMINISTRATION OFFICE)  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**FOR THE YEAR ENDED 31 DECEMBER 2020**

**18 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT - FAIR VALUE AND RISK  
MANAGEMENT (CONTINUED)**

**(B) Financial risk management (Continued)**

**(i) Credit Risk (Continued)**

**Cash and cash equivalent**

The MRPS held cash and cash equivalents of MVR 37,684,583/- as at 31 December 2020 (2019: MVR 27,503,083/-). The MRPS limits its exposure to credit risk by maintaining its cash balances in selected banks.

**(ii) Market Risk**

Market Risk is the risk of losses from changes in the market value of portfolios and financial instruments due to movements in interest rates, foreign exchange and equity prices. The market risk faced by the MRPS primarily arises from interest rate risk and equity price risk. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

**(a) Interest Rate Risk**

**Exposure to interest rate risk**

At the reporting date, the interest rate profile of the MRPS's interest-bearing financial instruments was:

	<u>Carrying Amount</u>	
	<b>2020</b>	<b>2019</b>
	<b>MVR</b>	<b>MVR</b>
Fixed Rate Instruments	13,100,107,532	11,616,639,693

The MRPS does not account for any fixed-rate financial assets at FVTPL. Therefore, a change in interest rates at the reporting date would not affect profit or loss.

A change of 100 basis point in interest rates would have increased or decreased profit for the year ended 31 December 2020 by MVR 147,250,929/- (2019 : MVR 131,037,274/-). This analysis assumes that all the other variables remain constant.

**(b) Equity Price Risk**

The equity price risk is the reduction in the value of equity portfolio due to the decline in share prices. This is an inherent risk of equity investments which has been mitigated by investing in fundamentally sound stocks with robust value. However, MRPS value equity securities based on discounted free cash flows of the investee companies.

**MALDIVES RETIREMENT PENSION SCHEME  
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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**FOR THE YEAR ENDED 31 DECEMBER 2020**

**18 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT - FAIR VAUE AND RISK  
MANAGEMNT (CONTINUED)**

**(B) Financial risk management (Continued)**

**(iii) Liquidity Risk**

Liquidity Risk is the risk arising from the inability of the MRPS to meet its financial commitments and obligations when they fall due. The net contribution of the Fund was between MVR 75 Mn to MVR 102 Mn per month during the year.(2019: MVR 86 Mn to MVR 101 Mn) Further, interest and maturity proceeds provided additional cash flow to the MRPS.

Management of liquidity risk includes taking steps to ensure, as far as possible, that it will always have adequate financial resources to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the MRPS's reputation.

**MALDIVES RETIREMENT PENSION SCHEME  
(ADMINISTERED BY MALDIVES PENSION ADMINISTRATION OFFICE)  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**FOR THE YEAR ENDED 31 DECEMBER 2020**

**18 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT - FAIR VALUE AND RISK MANAGEMENT (CONTINUED)**

**(B) Financial risk management (Continued)**

**(iii) Liquidity Risk (Continued)**

**Maturity analysis of financial assets and financial liabilities**

Financial assets	0-12	1-3	3-5	More Than	Total as at	Total as at
	Months MVR	Years MVR	Years MVR	5 years MVR	31/12/2020 MVR	31/12/2019 MVR
Cash and cash equivalents	37,684,583	-	-	-	37,684,583	27,503,083
Contribution and other receivables	125,395,542	-	-	-	125,395,542	3,871,423
Treasury bills	7,119,547,251	-	-	-	7,119,547,251	5,712,193,016
Investment in Fixed deposit	242,117,714	162,296,916	105,151,398	-	509,566,028	361,201,409
Investment in Sukuk	2,172,120	-	15,000,000	180,000,000	197,172,120	197,142,249
Treasury bonds	500,767,644	1,005,000,000	1,612,000,000	250,000,000	3,367,767,644	3,338,653,852
Investment in HDFC bond	12,079,096	26,116,219	29,968,962	56,368,886	124,533,163	135,532,843
Financial assets at FVOCI	-	-	-	558,885,060	558,885,060	558,885,060
Recognition bond	64,988,407	128,087,569	131,533,650	3,306,648,297	3,631,167,429	3,529,206,250
Housing collateralization deposit	592,075	-	-	32,987,790	33,579,865	31,103,085
<b>Total assets</b>	<b>8,105,344,432</b>	<b>1,321,500,704</b>	<b>1,893,654,010</b>	<b>4,384,890,033</b>	<b>15,705,298,685</b>	<b>13,895,292,270</b>
<b>Financial liabilities</b>						
Other Payables	6,860,114	-	-	-	6,860,114	6,980,927
Contribution collection accounts	1,912,105	-	-	-	1,912,105	677,683
<b>Total liabilities</b>	<b>8,772,219</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>8,772,219</b>	<b>7,658,610</b>
<b>Accumulated Members' Balance</b>						
Contribution payout	103,439,484	295,765,519	331,650,324	14,965,671,138	15,696,526,466	13,887,633,660
<b>Total accumulated members' balance and Liabilities</b>	<b>112,211,703</b>	<b>295,765,519</b>	<b>331,650,324</b>	<b>14,965,671,138</b>	<b>15,705,298,685</b>	<b>13,895,292,270</b>

**MALDIVES RETIREMENT PENSION SCHEME  
(ADMINISTERED BY MALDIVES PENSION ADMINISTRATION OFFICE)  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**FOR THE YEAR ENDED 31 DECEMBER 2020**

**19 COMPARATIVE FIGURES**

To facilitate comparison, relevant balances pertaining to the previous year have been re-classified to conform to current year's classification and presentation.

**20 EVENTS AFTER THE REPORTING DATE**

No circumstances have arisen since reporting date which require adjustments to / or disclosure in the financial statements.

**21 RELATED PARTY TRANSACTIONS**

**21.1 Transactions with the Key Management Personnel**

MRPS is fully owned by the Government of Maldives and the Board comprises eight members. Accordingly, MRPS has considered the Government of Maldives as a related party according to IAS 24 Related Party Disclosures. During the year ended 31 December 2020, MRPS has carried out transactions with the Government and other Government related entities in the ordinary cause of business.

MRPS has transactions with entities directly or indirectly controlled by the Government of Maldives, MPAO, agencies, affiliations and other organizations, collectively referred to as government entities. The Investment and administration activities of MRPS are managed and administered by Maldives Pension Administration Office (MPAO) in accordance with the requirements of the Act. Under the investment management agreement, the MPAO receives a management fee at an annual rate of 0.6% (2019 - 0.6%) of the net assets value of MRPS.

The total Board of Members' fee paid for the year ended 31 December 2020 were nil. (2019 - Nil)

**21.2 RELATED PARTY TRANSACTIONS**

	Related Party	Relationship	Nature of Transactions	Amount		Balance as at	
				2020 MVR	2019 MVR	31/12/2020 MVR	31/12/2019 MVR
	Maldives Pension Administration Office (MPAO)	Administration office of MRPS	Management fee Settlements	(67,227,205) 66,572,956	(57,727,167) 56,636,539	(6,190,523)	(5,536,274)

**22 COMMITTEE OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS**

The Board of Members of the MRPS is responsible for the preparation and presentation of these Financial Statements.

**23 CONTINGENT LIABILITIES**

There were no contingent liabilities which require disclosure in the financial statements as at the reporting date.

MALDIVES RETIREMENT PENSION SCHEME  
(ADMINISTERED BY MALDIVES PENSION ADMINISTRATION OFFICE)  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

24 RESTATEMENT OF COMPARATIVE BALANCES

During the year, it was discovered that an amount of MVR 109,890,696/- had not been recognized as contribution receivables. As a result accumulated members' balance and contribution receivables were understated as at 31 December 2018 and 31 December 2019 by MVR, 105,922,166/- and MVR 3,968,529/- respectively. Further, this understated the contribution income by same amounts as stated above during the year ended 31 December 2018 and 31 December 2019. However, this had been corrected by restating each of the affected financial statement line items for the prior period in accordance with International Accounting Standards (IAS) 8, Changes in Accounting Estimates and Errors. The following tables summarize the impact on MRPS's financial statements.

24.1 As at 1 January 2019

a. Statement of Financial Position	As Previously Reported MVR	Adjustments MVR	Restated Balance MVR
Accumulated members balance	(12,207,752,128)	(105,922,166)	(12,313,674,294)
<b>Total accumulated members balance</b>	<b>(12,207,752,128)</b>	<b>(105,922,166)</b>	<b>(12,313,674,294)</b>
Contribution receivables	-	105,922,166	105,922,166
<b>Total assets</b>	<b>12,215,936,049</b>	<b>105,922,166</b>	<b>12,321,858,215</b>

24.2 As at 31 December 2019

a. Statement of Financial Position	As Previously Reported MVR	Adjustments MVR	Restated Balance MVR
Accumulated members balance	(13,887,633,660)	(109,890,696)	(13,997,524,356)
<b>Total accumulated members balance</b>	<b>(13,887,633,660)</b>	<b>(109,890,696)</b>	<b>(13,997,524,356)</b>
Contribution receivables	-	109,890,696	109,890,696
<b>Total assets</b>	<b>13,895,292,270</b>	<b>109,890,696</b>	<b>14,005,182,966</b>
b. Statement of Comprehensive Income	As Previously Reported MVR	Adjustments MVR	Restated Balance MVR
Net contribution	1,091,978,993	4,491,327	1,096,470,320
Other income	949,459	(522,797)	426,662
<b>Increase in net assets attributable to members</b>	<b>1,679,881,532</b>	<b>3,968,530</b>	<b>1,683,850,062</b>

c. Statement of Cash Flows

There is no impact to statement of cash flows for the year ended 31 December 2019.

**MALDIVES RETIREMENT PENSION SCHEME  
(ADMINISTERED BY MALDIVES PENSION ADMINISTRATION OFFICE)  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**FOR THE YEAR ENDED 31 DECEMBER 2020**

**25 INVESTMENT FUND ANALYSIS**

MRPS comprise of the following sub funds.

Income	Investment		Shariah		Conservative		Shariah Retirees		Housing		Recognition Bond		Consolidated Adjustment		Total	
	MVR	MVR	MVR	MVR	MVR	MVR	MVR	MVR	MVR	MVR	MVR	MVR	MVR	MVR	MVR	2020
Net Contribution Income	995,973,684	24,669,493	(100,563,317)	(920,678)	-	-	1,084,833	114,388,633	1,034,632,648							
Interest Income	479,955,241	8,291,851	17,106,012	187,654	1,319,227	-	168,101,602	-	674,961,587							
Dividend Income	55,436,952	-	-	-	-	-	-	-	55,436,952							
	1,531,365,877	32,961,344	(83,457,305)	(733,024)	1,319,227	-	169,186,435	114,388,633	1,765,031,187							
Other income	610,991	11,707	586	2	-	-	-	574,842	1,198,128							
Inter-Portfolio Movements	(79,750,027)	16,946,707	126,197,235	1,852,684	2,069,149	-	(67,315,748)	-	-							
Management fee	(63,561,992)	(1,395,760)	(2,050,611)	(33,193)	(185,649)	-	-	-	(67,227,205)							
	1,388,664,849	48,523,998	40,689,905	1,086,469	3,202,727	-	101,870,687	114,963,475	1,699,002,110							
Increase in net assets attributable to members																
<b>ASSETS</b>																
Cash and cash equivalents	29,574,052	941,810	4,506,489	155,970	594,158	-	-	1,912,105	37,684,583							
Contribution and other receivables	458,168	64,873	273,018	-	194,132	-	-	124,405,351	125,395,542							
Investment in financial assets	11,220,916,338	252,754,017	397,319,892	6,481,019	-	-	-	-	11,877,471,266							
Recognition bond	-	-	-	-	-	-	3,631,167,429	-	3,631,167,429							
Housing collateralization deposit	-	-	-	-	33,579,865	-	-	-	33,579,865							
<b>Total Assets</b>	11,250,948,557	253,760,700	402,099,399	6,636,988	34,368,156	-	3,631,167,429	126,317,456	15,705,298,685							
<b>LIABILITIES</b>																
Other Payables	5,826,756	129,583	174,858	3,198	1,281,747	-	-	(556,028)	6,860,114							
Contribution collection accounts	-	-	-	-	-	-	-	1,912,105	1,912,105							
<b>Total liabilities (excluding net assets attributable to members)</b>	5,826,756	129,583	174,858	3,198	1,281,747	-	-	1,356,077	8,772,219							
<b>ACCUMULATED MEMBERS' BALANCE</b>																
Accumulated members' balance	11,245,121,801	253,631,117	401,924,541	6,633,790	33,086,409	-	3,631,167,429	124,961,379	15,696,526,466							
<b>Total accumulated members' balance and Liabilities</b>	11,250,948,557	253,760,700	402,099,399	6,636,988	34,368,156	-	3,631,167,429	126,317,456	15,705,298,685							