THE GOVERNMENT'S PENSIONS

June 2026

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This is a Report of a Performance Audit conducted by the National Audit Office pursuant to Section 103 of the Montserrat Constitution Order (2010).

Marsha V. E. Meade
Auditor-General
National Audit Office
June 2026

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AUDIT OFFICE
Montserrat

PREAMBLE

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AUDITOR-GENERAL'S OVERVIEW

The administration and financing of public-service pensions are among the most significant long-term responsibilities of any Government. Pension arrangements affect not only current and former public officers, but also taxpayers, policymakers, and future generations who will ultimately bear the costs of commitments made today. Sound pension governance therefore requires a balance between providing fair and adequate retirement benefits and ensuring that those benefits remain affordable and sustainable over time.

This performance audit examined the Government of Montserrat's pension system as administered by the Office of the Deputy Governor. The audit assessed the effectiveness of governance arrangements, the efficiency of pension operations, and the long-term sustainability of the current framework.

The audit found that the pension system operates within a clear legislative and administrative structure. However, several longstanding challenges require attention, including the continued reliance on a non-contributory model, the absence of pension reserves, growing unfunded liabilities, increasing budgetary pressures, delays in reconciling overseas pension-related balances, and continued dependence on paper-based processes.

The findings also highlight important demographic and fiscal trends. The number of pensioners has increased substantially over the past decade, placing additional pressure on a system that is already facing significant long-term obligations. Recent policy decisions, including the planned introduction of a Defined Contribution pension arrangement and the proposed transfer of pension administration to the Montserrat Social Security Fund, represent important steps toward addressing these challenges.

The recommendations in this report are intended to support reforms that strengthen financial sustainability, improve transparency and accountability, modernise administration, and enhance stakeholder awareness of both pension entitlements and their associated costs.

I wish to thank the Office of the Deputy Governor, the Human Resources Management Unit, the Ministry of Finance and Economic Management, and all other officers who assisted this audit through their cooperation and provision of information.

It is my hope that this report will contribute to informed decision-making and the continued development of a pension system that is fair, transparent, and sustainable for the people of Montserrat.

Marsha V. E. Meade
Auditor-General
23 June 2026

GLOSSARY OF ABBREVIATIONS

FCDO	Foreign, Commonwealth & Development Office (U.K. Government)
F.S.	Financial Secretary (MOFEM)
GOM	Government of Montserrat
H.R.M.U.	Human Resources Management Unit (GOM)
INTOSAI	International Organisation of Supreme Audit Institutions
ISSAI	International Standards for Supreme Audit Institutions
MOFEM	Ministry of Finance & Economic Management (GOM)
O.D.G.	Office of the Deputy Governor (GOM)
OECD	The Organization for Economic Cooperation and Development
S.D.P.	Sustainable Development Plan (2008 to 2020) (GOM)
S.D.G.(s)	Sustainable Development Goal(s) (2015 to 2030) (United Nations)

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EXECUTIVE SUMMARY

Overview

Montserrat's public-service pension-system is governed primarily by the Pensions Act (last revised in year 2011), supported by additional laws, regulations, and policies. The system is also expected to align with regional and international standards, including International Public Sector Accounting Standards (IPSAS) and the International Financial Reporting Standards (IFRS) for State-owned enterprises. Since the year 1995, the Government of Montserrat has been the island's largest employer, resulting in a large retiree population and a high pensioner-to-employee ratio. Oversight is shared between the Office of the Deputy Governor (O.D.G.), which is responsible for operational and administrative oversight, and the Ministry of Finance and Economic Management (MOFEM), which is responsible for financial oversight, budgeting, and fiscal management.

Main Findings

1. **Government's pensions are non-contributory.** The main factor leading to high recurring costs to the public finances is that the past and present employees, who will receive 100% of the pension-benefits, made/make no contributions towards these benefits. The Government, as the employer, also made/makes no periodic contributions towards funding of future benefits; it pays 100% of the current pensions as they are disbursed. Hence, taxpayers are bearing the entire cost. This arrangement contrasts sharply with the Social Security Fund, which operates on a contributory model both for employees and for employers (including the G.O.M. for public employees). ***Update #1:** The Cabinet has approved a transition to a Defined Contribution plan.

2. **No pension reserves exist while costs continue to rise.** The Government's pension-plans are unfunded with no reserves to support current or future benefits. The rates of contributions and the level of reserves are key drivers of the financial performance and sustainability for all pension-funds. This puts a large and growing burden on the recurrent spending of the Government. This is in stark contrast with the Social Security Fund, which has reserves. ***Update #2:** The Cabinet has approved the transferral of the Government's pensions to the administration of the Social Security Fund (*with effect from fiscal year 2026/2027).

3. **The Pensions Unit operates at a persistent net loss.** For decades, the actuarial, administrative, and other operating costs continue to rise, without any related contributions or investment revenues, leading to net losses each year. However, the pension-related expenses

reported in the Public Accounts each year show only the current amounts actually paid. The accounting and reporting do not capture the true actuarial costs of past service and future benefits accrued to date. A marked increase in the number of pensioners has spiked the costs.

4. **Lack of a reasonable cap on combined pension and Social Security benefits.** Previous administrations recognised the moral hazard that some public servants were receiving both a government pension and a Social Security pension. The intention of policy-reforms, and actuarial advice, was to set a reasonable ceiling on the combined public pension-benefits, given that employees did not contribute towards Government pensions, but only to Social Security pensions. However, in practice, this has not yet been implemented, leading to some persons' receiving pension-benefits in retirement that exceeded their take-home pay while they were employees.

5. **Total pension-related liabilities exceed $200 million.** Most of the accrued pension-costs are not accounted or reflected in the published financial statements of the Government, which continues to report on an outdated and inadequate cash-basis. Whilst the Public Accounts of Montserrat have reflected amounts in the region of $10 million to $16 million per year for pensions and gratuities, the total actuarial estimates of the Government's pensions now exceed E.C.$200 million. As this is the present-value estimate (discounted at 5% per year), it should be noted that the gross amount of future pension-benefits to current pensioners is a far greater figure. New pensioners will continue to add to the Government's total liabilities for these future pension-related obligations.

Key Recommendations

6. **Gradually implement rates of contribution.** The O.D.G. should advocate through the Financial Secretary, the Minister of Finance, and the Cabinet for an updated pension-framework that introduces contributions by employees. This is the most important reform for long-term sustainability. A phased approach, similar to the Montserrat Social Security Fund's reforms implemented between years 2022 and 2026, would help to smoothen any impact. To further encourage participation, the Income Tax Act can be amended to make pension-fund contributions tax-deductible, just as employees' contributions to the Social Security Fund already are. For example: $4,000 x 5% = $200 gross contribution, resulting in a net deduction of approximately $140 after tax.

7. **Improve budgeting for pensions to prevent recurring shortfalls.** The O.D.G. should correct the longstanding pattern of under-budgeting for pension expenditures. The

projections for each year should be guided by the actual payments of the previous year plus a margin for new pensions/pensioners, as the number of pensions/pensioners continues to grow each year, in addition to periodic increases granted to existing/continuing pensioners. The O.D.G. and the MOFEM should jointly seek the Cabinet's approval and secure the F.C.D.O.'s support to ensure adequate funding for both pension payments and operational expenses. Using rolling 3-year and 5-year averages, along with trend-analysis, would improve accuracy and reduce the risk of mid-year funding gaps.

8. **Update accounting and reporting to accrual-based standards.** The International Public Sector Accounting Standards (IPSAS) have evolved from cash-basis to accrual-based accounting, which provides more accurate and transparent picture of governmental obligations. Under accrual accounting, the Government's expenses and liabilities will be recorded when they are incurred, and not only when cash is paid. Long-term obligations such as pensions are fully recognised. This enhances transparency, accountability, and decision-making for those charged with governance of public resources. It also improves communication among stakeholders, and education of public employees about the true costs of promised benefits. This shift to updated standards is essential for modern public financial management and for effective reporting to international partners.

9. **Implement regular financial education of employees.** The O.D.G. and the H.R.M.U. should conduct ongoing financial literacy and retirement-planning sessions for all eligible public employees. The earlier in their careers they are educated and supported in these areas, the better employees will be prepared for life before and after retirement. For many employees, getting a notice-letter just months in advance of their projected retirement-date is far too late. Moreover, the much-reduced rate of pension-benefits since June, 2011, means that employees must increasingly rely on additional personal savings and investments. One pension alone will not meet the full cost of living, medical needs, or outstanding financial obligations in retirement.

Audit Conclusions

10. The O.D.G. operates within a clear legislative and governance framework, but several practical challenges continue to hinder efficiency and fiscal sustainability. Over the past 30 years, a significant backlog has accumulated in reconciling pension accounts with overseas jurisdictions and processing related reimbursements. There are large and recurring financial gaps between [a] budgeted pension expenditures, [b] the actual pension payments, and [c] the contributions that would be required to fully cover annual operational and actuarial costs. These gaps have widened as the number of pensioners has grown rapidly in the past decade, even as Montserrat's overall population has declined. The result is a high and rising pensioner-to-employee ration which places increasing pressure on the Government's non-contributory pension system and threatens long-term fiscal sustainability.

11. Therefore, it is long overdue for the Cabinet and the Legislative Assembly to approve adjustments that reflect the true total cost of administering and financing the Government's pensions. Without such reforms, the Government will continue to accumulate large unfunded liabilities, leading to ongoing internal deficits, and a growing dependence on grants, loans, and other support. In addition to funding reforms, the O.D.G. must strengthen its operational efficiency. Improvements from paper-based operations, and more use of widely available electronic systems, payment-methods, and technologies, are vital for a smoother delivery of service to the public. Better accounting, reporting, communication, and education are needed so that all stakeholders understand the promised pension-benefits as well as the costs of providing those benefits. These measures are essential to ensure that all stakeholders understand their entitlements, the system's financial realities, and the shared responsibilities required to maintain a sustainable pension-framework.

CHAPTER 1: INTRODUCTION

Overview of the O.D.G.

1.1 The O.D.G. was established for the central administration of human resources and delivery of related services, including the Government's pensions, for the public service of Montserrat.

Objectives of the Audit

1.2 **Objectives.** This audit sought to examine the management of Government of Montserrat's pensions, focusing on governance, service quality, financial sustainability, and overall system performance. The primary was to determine whether the system for pensions is operating efficiently, while remaining financially viable over the long term. To address this overarching question, the audit considered three core areas:

[a] Governance: Are the legislative framework and governance effective in supporting the administration of pensions?

[b] Efficiency: Is the O.D.G. applying sound practices in managing its pension operations?

[c] Effectiveness: Are the Government's pensions adequately financed and sustainable?

Profile of O.D.G.

1.3 **Structure**. The active structure of the O.D.G. has largely remained functionally oriented. For reporting purposes, the O.D.G.'s portfolio comprises six departments and entities: the Office of the Deputy Governor, the Human Resources Management Unit, His Majesty's Prison, the Disaster Management Coordination Agency, the Governor's Office, and the Royal Montserrat Defence Force. For the purposes of this audit, the focus was on the O.D.G. headquarters, where the Government's pensions are centrally administered. The overall portfolio is led by the Deputy Governor, supported by senior officers, including the Head of Office of the O.D.G., a Director of Strategic Management and Corporate Services, and the Chief Human Resources Officer (the head of the H.R.M.U.); the Head of Office is also designated to serve as the Accounting Officer for the O.D.G.'s portfolio of 6 departments. These officers oversee the managers, supervisors, and staff across the portfolio.

Within the broader public-sector governance framework, the Deputy Governor reports to the Governor, while the O.D.G. is also accountable to the Financial Secretary, MOFEM, and to the Cabinet of the Government of Montserrat.

1.4 Roles and functions. The central O.D.G., designated Programme 120 in the GOM's budgeting structure, oversees the entire public service of Montserrat. The Deputy Governor serves as the ultimate head of the civil service, reporting directly to the Governor. The O.D.G. administers a wide range of H.R. functions (e.g., recruitment, appointments, promotions, training, retirement, grievances, various types of leave) (mostly delegated to the H.R.M.U., under Programme 121) on the behalf of all Ministries and Departments in the central Government, and oversees the related policies and regulations, such as the General Orders. In addition, the O.D.G. oversees the Capacity Building Fund (previously known as the Technical Co-operation Fund) now reported as Programme 126 from fiscal year 2025/2026. Historically, this was used to support specialised international recruitment for skills that were not available locally, but the fund now has a broader mandate to strengthen capacity across the public service, including through consultancies, and knowledge-transfer initiatives. The central O.D.G. headquarters also provides various consular services, including naturalisation, citizenship, and passport-services, and is responsible for the direct management of the Government's pensions.

Table 1.1: Overview of the O.D.G.'s revenues and expenses: Fiscal Years ending March 31st, 2019 to 2024. (Figures in E.C.$)

Financial Year	Fiscal Year 2018/2019	Fiscal Year 2019/2020	Fiscal Year 2020/2021	Fiscal Year 2021/2022	Fiscal Year 2022/2023	Fiscal Year 2023/2024
Revenues & Other Income	420,480	350,122	344,221	281,789	334,331	404,356
Total Expenses	28,782,907	29,512,186	29,910,556	30,840,582	30,799,793	33,461,611
Net Surplus / Deficit	28,362,427	29,162,064	29,566,335	30,558,793	30,465,462	33,457,255

Source: The audited Public Accounts of the Government of Montserrat. See http://audit.gov.ms/?page_id=19

CHAPTER 2: GOVERNANCE OF PENSIONS

Overview

2.1 The public service of Montserrat has a long-established tradition of providing pension-benefits to long-serving employees. However, the framework for public-service pensions is complex, and is shaped by several variables that affect administration and eligibility. These include the existence of multiple types of pensions; different categories of employment; varying criteria for eligibility; and different levels of pension-benefits.

Findings

2.2 Good governance framework overall. The Government's pensions are centrally administered within the O.D.G.'s headquarters. Supporting employment-records are provided by the various Ministries, Departments, and the central Human Resources Management Unit (H.R.M.U.). There are clear lines of reporting and accountability as the staff of the O.D.G. reports to the Head of Office, who reports to, and is held accountable by, the Deputy Governor. The Pensions Act provides the main legal framework for the Government's pensions. The criteria for eligibility and the guidelines for calculations of pension-benefits are enshrined in this law and supported by other relevant laws (e.g., the Legislators' Conditions of Service Act), policies, and regulations, and subject to regional and international standards, which include the IPSAS and the International Financial Reporting Standards (IFRS).

2.3 Independent actuarial reviews. The O.D.G. does not have in-house actuarial expertise. Historically, actuarial reviews were conducted for the Montserrat Social Security Fund, but were not being done for the Government's public-service pensions. Recently, however, the O.D.G. has retained an external actuary to provide independent reviews, which are documented by a comprehensive report in each case. The most recent actuarial review covered the period ending the 31st of March, 2023, and was issued in December, 2023. These reviews provide essential historical data (actual) and projections of future pension-costs and the numbers of pensioners, forming a credible basis for policy-reforms and for data-driven decision-making.

2.4 Legislators' pensions are the most generous category. Members of the Legislative Assembly become eligible for a special category of pension-benefit after just six years of service (per the Legislators' Conditions of Service Act). Their qualifying periods of service can be either consecutive or cumulative. For Premiers who accumulate not less than six years of service, the pension-benefit is calculated at two thirds (or 66.67%) of the highest level of pensionable emoluments that they earned as a legislator. For a Premier, the pension is payable as soon as the person has accumulated 6 years of service, and at any time thereafter ceases to be Premier. For all other legislators, by contrast, the other requirement is that they must have attained not less than 50 years of age to begin to receive a pension-benefit. For legislators other than Premiers, the rate of pension is calculated at 50% of the highest pensionable emoluments that they earned as a legislator, if they have served more than six years but fewer than 20 years. For legislators accumulating more than 20 years of service, the pension-benefit is calculated at 60% of the highest pensionable emoluments that they earned as a legislator. Generally, we observe that, across the types of public pensions, the legislators' ratio of pension-benefit to salary is the highest of all categories of pensions, having regard to the minimum of years of service required.

2.5 Commuted gratuities for legislators not qualifying for a pension. Legislators who have accumulated less than six years of service can receive a commuted gratuity in lieu of a pension. The first option is that the retiring legislator can receive an annual amount equal to 25% of the annual emoluments that that person earned as a legislator; this is payable for 10 years following the date that that person ceased to be a legislator. This is double the level of gratuity-benefit (12.50%) given to public employees on contracts in posts that are not classified as Permanent and Pensionable. The other option is that the retiring legislator can instead choose to receive a one-time lump sum equal to 100% of the highest emoluments that that person earned in any one year as a legislator.

2.6 Pensions for police-officers are a special category. Members of the Royal Montserrat Police Service are subject to a separate category of employment and pension-benefits from those applicable to most public servants. We especially noted that, whilst the retirement-age for most public servants has moved in ten increments towards a standard age of 65 years (for those born after year 1975), police-officers still have a mandatory retirement-age of 55 years and a discretionary retirement-age as early as 50 years. The Police Act was originally published many years ago and it has not been revised to address such discrepancies in the public sector, nor the demographic trends such as rising life-expectancies. Another issue identified in this audit is that the past and current legislative frameworks have disadvantaged police-officers who transfer to another Ministry/Department within the public service: their years of pensionable service in the police service do not carry forward to new appointments elsewhere in the public service.

2.7 Pensions for public employees in standard pensionable/establishment posts. The majority of public servants are in Permanent and Pensionable posts. The Pensions Act governs the calculation of benefits for such employees of the Government of Montserrat. Generally, employees must work for at least 10 years to qualify for any benefit, including Early Exit, Early Retirement, or Normal Retirement benefits. Normal retirement depends on the employee's years of service, age at exit from the public service, and date at which he/she entered the public service. On retiring, pensionable employees have a number of options: e.g., they can choose to receive a lifetime pension commencing at their eligible age; or they can choose to receive a commuted gratuity and a reduced pension equal to 75% of the full pension for which they would otherwise qualify in the first option. Persons electing Early Retirement can choose to receive an immediate one-time lump-sum, which is a fraction of full pension-benefits. Alternately, persons electing Early Retirement can choose to have a Deferred Pension: in this case, they can receive a full pension-benefit, but on the condition that they will not begin to receive it until they will have reached their Normal Retirement age. Thereafter, their pension-benefit will continue for the rest of their lifetime.

2.8 Employees not covered by Government's pensions. Casual workers, contract employees, and those under special agreements are excluded from the Government's pensions, and instead contribute to the Montserrat Social Security Fund, which provides significantly lower benefits. For example, the maximum of benefit has been reduced to 55% of pensionable emoluments versus up to 85% under the Government's pension-system. Social Security pension-benefits are payable for those contributing for at least 20 years (to earn the minimum of benefit) and up to 40 years of employment (to gain the maximum of 55% benefit) versus as few as 6 years (for Legislators) to 10 years (most employees) for the Government's pensions. Moreover, the Fund's benefits are based on insurable employment-incomes to a maximum of E.C.$4,000 per month, whilst the Government's pensions are calculated on up to 100% of eligible employees' emoluments.

2.9 Records are kept, but rely heavily on paper and are not always up to date. The O.D.G. has a computer system that is networked for all of its Headquarters employees. Ministries and Departments largely retain physical records, which must then be delivered to the Headquarters for calculating public officers' gratuities and pensions. There is extensive internal use of telecommunications, software, Excel spreadsheets and Microsoft Word documents; however, during our site-visits, we observed that printing continues on a large scale, and that stacks of paper and files abound throughout the working environment. The employees also use filing cabinets and personal drawers to store physical files.

2.10 Good/long retention of some types of records. H.R. records related to employees are retained for the entire career of persons within the public service. We also found that H.R.-files are retained even after employment. Correspondingly, files that we reviewed for current pensioners included documents going back several decades (e.g., to the 1970s and 1980s, in some cases).

2.11 Issues related to storage of files. During this audit, we did not receive all of the files/documents that we requested for a sample to review. Many documents were available only in paper-format and had deteriorated over the years. A large number of employee-files (for current pensioners) were reportedly in archives/off-site storage and inaccessible. We were therefore unable to verify the supporting documents for some pensions, how they were calculated, or the history and status of communication with the pensioners. We also found that physical H.R.-related files were mostly in chronological sequence, but not organised by type/topic (e.g., types of leave; performance; promotions; pension-related matters; training and development; et cetera). It was therefore very tedious and cumbersome to identify documents related to pensions, pre-retirement communication, pension-options and calculations, and the supporting suite of documents for such options and calculations. It was also clear that having adequate, safe, hygienic, and accessible storage for physical files is a persistent and growing issue.

2.12 Outdated cash-basis of accounting and reporting. International Public Sector Accounting Standards have transitioned from simple cash-basis accounting to accrual-based accounting. However, the O.D.G. and the G.O.M. have continued with cash-basis accounting and reporting. Loans and certain international or project-related obligations are being reported in the Public Accounts of Montserrat, but many accrued liabilities (e.g. pension-obligations) are not fully recorded or reported. This understates the O.D.G.'s/G.O.M.'s true asset/liability position as well as the true total of actual accrued (incurred but not yet paid) expenses. Cash-basis financial statements greatly understate liabilities and expenses, and overstate surplus, giving a better picture of public finances than is warranted. Stakeholders are not getting full disclosure of all aspects of obligations.

2.13 Conclusion re: Governance. The relevant policies, laws and regulations are clear as to structures, roles, and responsibilities regarding public-service pensions for Montserrat. Despite the availability of telecommunications and electronic systems and software, the O.D.G./H.R.M.U. remain in an outdated modus operandi that is paper-intensive for many of the historical files.

Recommendations

2.14 Digitise records and storage of files. The O.D.G. should prioritise the digitisation of records and coordinate a service-wide effort to digitise employees' files held within Ministries and Departments. Digitisation will significantly improve the accessibility of records, reduce dependence on physical storage, and ensure that critical documents are preserved through secure digital back-ups. Urgent attention should be given to documents that are related to appointments, increments, promotions, and pension-related calculations as these are essential for accurate administration of pensions. Enhanced data-management and file-management will also strengthen succession-planning, on-boarding of new staff, training and development, business-continuity, disaster-recovery, and the long-term resilience of the public service.

2.15 Update accounting and reporting to accrual-based standards. Transitioning to accrual-based accounting, in line with IPSAS and IFRS, will provide a more accurate and transparent representation of the Government's financial position. Accrual accounting records expenses and liabilities when they are incurred, rather than only when cash-payments are made — sometimes, years or decades later. This approach ensures that all obligations, including pension-related liabilities, are fully captured. It enhances transparency**,** accountability, and informed decision-making for those responsible for managing public resources. It also improves communication with stakeholders and helps to educate public employees about the true long-term costs of the pension-benefits promised to them. This shift to updated standards is essential for modern public financial management and for effective reporting to international partners.

2.16 Review, update, and integrate laws and policies affecting pensions. The O.D.G., along with partners such as the Attorney General's Chambers, the Royal Montserrat Police Service, the Office of the Premier (which includes Regional Affairs and matters relating to the Diaspora), and the MOFEM, should review current laws, regulations, and policies for discrepancies, inconsistencies, and inequities:

> E.g. #1, integrating the various Acts to remove instances of discrimination, such as preventing police-officers from carrying forward their years of pensionable service when they transfer to employment elsewhere in the public sector.
>
> E.g. #2, updating laws, regulations, and policies to reflect current realities, including rising life-expectancies, and demographic trends.
>
> E.g. #3, ensuring portability of eligibility and benefits across employment-types, thereby supporting the flexible movement of skills, and career-development, whilst strengthening social safety-nets.
>
> E.g. #4, also harmonising frameworks and practices across the CARICOM and the O.E.C.S. to remove remaining barriers to regional integration, and to promote the fair treatment of immigrant workers and their families.

CHAPTER 3: EFFICIENCY IN PENSION OPERATIONS

Overview

3.1 The operations are managed by two senior officers: a Director with responsibility for Strategic Management & Corporate Services, and the Head of Office (O.D.G. headquarters). They are supported by a small team of junior officers and administrative assistants. Frontline employees handle responses to clients, calculation of pensions for new claimants, and payment of benefits to current pensioners.

GOM's Objectives & Planning

3.2 Alignment with Policy Agenda / S.D.P Frameworks. The O.D.G. has explicitly linked its strategic objectives to the Government's Policy Agenda and the national Sustainable Development Plan (SDP) for Montserrat. Our review of budgets, financial reports, and strategic plans covering the period 2010 to 2026 found that, particularly in recent years, these documents consistently referenced the national S.D.P. (including National Outcomes) as well as the Cabinet's Policy Agenda (see Table 3.1). However, no evidence was found of explicit alignment with the global Sustainable Development Goals (SDGs), including their associated sub-goals and indicators. The audit identified several S.D.G.s that are highly relevant to the O.D.G.'s portfolio of operations and services, including: [1] the elimination of poverty, [2] the elimination of hunger, [3] climate-action, [4] responsible consumption and production, and [5] the provision of decent conditions of work. The absence of clear linkages to these global frameworks represents a gap in aligning national planning with internationally recognised development benchmarks.

3.3 Table 3.1: O.D.G.'s Strategies and Objectives related to pensions

O.D.G.'s Strategies and Objectives	Related Indicators	National Outcomes (S.D.P. links)
Key Strategy: To ensure adequate pension provision annually through proper budget forecast, secured financing and updated legislation to safeguard against unsustainable government liability.	**Output indicator:** No. of Policy / MoU / Other Documents discussed, approved or signed off to Improve the efficiency in the Administration and Payment of Pension Benefits	National Outcome #4

	Output indicator: No. of early exit benefits processed	
	Output indicator: No. of new/additional pension and gratuity benefits processed and paid (aggregated by gender)	
	Output indicator: No. of pension recipients (aggregated by Gender)	
	Outcome indicator: % of pension recipients with total income below maximum social welfare benefit/entitlement.	
	Outcome indicator: % of customers (internal and external) reporting satisfaction with O.D.G.'s corporate services measured by customer-satisfaction surveys (aggregated by gender)	

Pension Operations

3.4 **Simplifying the verification of pensioners' life-status.** For many years, the O.D.G. required pensioners to confirm periodically that they were still alive, traditionally through physical documentation that had to be completed, witnessed, and then submitted, often by postal mail. This process was slow and frequently resulted in delays. In some cases, late verification triggered the suspension of pension-payments until confirmation was received by the O.D.G.'s Pensions Unit. A recent improvement has been the adoption of electronic communication tools, such as WhatsApp, for pensioners, particularly those residing overseas, to verify their identity and life-status within minutes through a brief call. This innovation has significantly reduced delays, improved service-delivery, and minimised unnecessary interruptions in pension-payments.

3.5 **Customers have strong interest in online payments and electronic channels**. Evidence from prior studies confirms that customers increasingly prefer online, cashless, and electronic service channels. Similarly, this audit found that the O.D.G. has progressively expanded its use of direct deposits for pensioners with local bank accounts and electronic remittances for those residing overseas. With the widespread availability of online and mobile banking, pensioners can now monitor their pension deposits from anywhere in the world, improving convenience, transparency, and service-delivery.

3.6 **Low public profile and limited use of online platforms**. Historically, the O.D.G.'s outward communications with clients have relied heavily on postal mail, while inward communication has occurred primarily through telephone, email, and in-person visits. Although online accounts for public employees were introduced through the H.R.M.U. in fiscal year 2018/2019, similar online access for pensioners has not been implemented to date. This audit found little improvement in the O.D.G.'s online presence or digital communication channels since the previous performance audit conducted in fiscal year 2019/2020, indicating slow or no implementation of earlier audit-recommendations. The O.D.G. maintains a low profile, with minimal use of online platforms, electronic accounts, or social media to engage clients, to disseminate information, or to support service-delivery.

Recommendations

3.7 Integrate objectives with the S.D.G.s. The O.D.G. should ensure that its organisational objectives are clearly defined, measurable, and assessed annually with each objective explicitly linked to the relevant global S.D.G.s. These objectives should be supported by specific actions that advance progress towards achieving or surpassing Montserrat's national targets under the 2030 Agenda for Sustainable Development. This alignment will promote: [a] policy-coherence between Departments/Ministries, [b] vertical integration across all levels of the GOM, and [c] a whole-of-Government approach to national priorities, enabling measurable progress toward sustainable development outcomes. In addition, this alignment will help to ensure that strategic planning, budgeting, and performance-management are mutually reinforcing.

3.8 Set, review, and upgrade standards of service. The O.D.G. should establish regular reviews, and progressively enhance service-delivery standards across all areas of its operations. These standards should be client-centred and supported by clear performance-measures such as these:

(1) average response-times for telephone calls, postal correspondence, and email enquiries;
(2) average processing times for new pension-applications;
(3) frequency and effectiveness of public-education and employee-education initiatives including participation-levels and demonstrated impact;
(4) measures of client-satisfaction;
(5) measures of employees' satisfaction;
(6) numbers of disputes, complaints, and objections, both new and carried forward;
(7) average timeframes for resolving disputes; and
(8) indicators of satisfactory outcomes.

Developing and reporting on these standards will help the O.D.G. to achieve consistent service-delivery, to identify areas for improvement, and to demonstrate accountability to the public.

3.9 Broaden stakeholders' feedback through multiple channels. The O.D.G. should periodically seek, document, and report feedback on its services, and actively encourage inputs from employees, pensioners, and other stakeholders. This could be achieved through structured mechanisms such as annual surveys, targeted consultations, and ongoing engagement activities. Beyond the option of a regular radio programme both for public education and outreach, the O.D.G. and other key stakeholders should adopt a multi-channel communication strategy to reach pensionable employees and pension clients. This should include the use of websites, social media, telephone, mobile marketing, email, radio programmes and news-broadcasts, audio and video content, and other accessible digital media. Effective communications require targeted messaging tailored to the needs of each stakeholder-group. This will improve outreach, enhance service-delivery, and strengthen trust and transparency across the pension-system. For example:

- Current employees need information on pre-retirement planning and pension-options,
- On-island pensioners require updates on payment-processes and service-access,
- Overseas pensioners need guidance on verification procedures, remittances, and digital services.

3.10 Enable online accounts and full e-government functionality. The O.D.G. should accelerate the transition toward full online functionality for its website and digital systems, in line with the capabilities of e-Government, the objectives of the Montserrat Information & Communications Technology Policy, and the rights established under the Income and Corporation Tax Act and the Electronic Transactions Act. Clients should be able to access their individual accounts and statements, and to submit queries electronically, as well as to upload all required documents and forms through secure online channels and communicate with the O.D.G. via email and other digital platforms. Completing this digital transformation would significantly reduce the time and effort currently spent by staff on receiving, handling, sorting, storing, and scanning physical documents from employees and from pension-clients. All forms should be converted into fully editable, configurable electronic formats, eliminating the need for printing, manual completion, and in-person submissions. This shift would modernise service delivery, improve efficiency, and enhance accessibility for clients both on-island and overseas.

CHAPTER 4: SUSTAINABILITY OF PENSION OPERATIONS

Overview

4.1 This Chapter summarises the key financial trends and fiscal impacts associated with the Government's pension-related obligations. Part 2 will examine performance against approved budgets and highlight the major issues affecting the long-term sustainability of the pension system.

Part 1: Financial Management

Findings of the Audit

4.2 **Clear guidelines for financial management**. The O.D.G. operates within a well-defined framework of internal financial and accounting policies and is subject to the Government of Montserrat's broader systems for financial oversight and risk-management. The public sector is governed by key legislation, including the Public Finance (Management & Accountability) Act (2008) and its year-2009 Regulations, which set standards for financial stewardship, accountability, and reporting. As part of the central Government, the O.D.G. is also required to follow International Public Sector Accounting Standards (IPSAS) for its accounting and financial statements, paralleling the I.F.R.S. framework used in the private sector. The Ministry of Finance and Economic Management (MOFEM) provides oversight of the O.D.G..'s budgets, expenditures, and financial performance.

4.3 **Negative bottom line: Long-term trend of net losses**. A review of the G.O.M.'s audited financial statements confirms that the O.D.G. consistently operates in a net loss position with respect to pensions. Each year, the Government incurs large outflows for pension payments, yet there is no corresponding revenue stream from contributions or from investments. As a result, taxpayers bear the full cost of the pension-system. **Update #1:** In late 2025, Cabinet approved a transition to a new Defined Contribution pension-plan for public officers on a prospective basis. This reform is expected to reduce long-term fiscal pressures, but its full impact will unfold over several decades. However, as of May, 2026, this reform had not yet been implemented.

4.4 Pension-liabilities are large and rising, exceeding $200 million. The total pension-obligations have remained large, both as a percentage of the G.O.M.'s total liabilities, and as a lien on a portion of the G.O.M.'s total cash-resources. As of March, 2023, estimated pension-related liabilities exceeded $179 million. However, because the Government continues to use cash-basis accounting, most accrued pension-costs are not recorded in the published financial statements. While the Public Accounts typically reported approximately EC$14 million per year (years 2020 to 2023) to over $16 million per year (year 2024 and onward) in pension and gratuity payments, actuarial assessments indicate that the true present-value of future pension obligations now exceed E.C.$200 million, as of March, 2026, based on a 5% discount-rate. The undiscounted value of future payments is much higher than this. For example, at an average annual pension cost of EC$16 million, total payments over the next 30 years would amount to nearly EC$500 million. These liabilities will continue to rise as new pensioners enter the system each year, further intensifying long-term fiscal pressures.

4.5 No reserves are in place for pensions, while costs have soared. Two of the most critical determinants of a pension-fund's sustainability are the rates of contributions and the level of reserves. However, the Government's pension plans are entirely unfunded and with no reserves set aside to support either current or future benefits. As a result, all pension payments must be financed directly from the Government's recurrent budget, placing a large and growing burden on annual public expenditure and increasing Montserrat's dependence on budgetary aid from the United Kingdom. This stands in stark contrast to the Montserrat Social Security Fund, which maintains reserves to support its long-term obligations. **Update #2:** In late 2025, Montserrat's Cabinet approved the transfer of the administration of the Government's pensions, to the Social Security Fund, subject to the finalisation of a Memorandum of Understanding. As of April 30th, 2026, however, we were advised that discussions were still in progress between the O.D.G. and the Social Security Fund, and implementation was being further deferred. If completed, this reform is expected to improve governance and long-term sustainability, though its full impact will depend on implementation details.

4.6 Outdated and unreconciled payables and receivables with other countries. Annual audits of the O.D.G.'s accounts (within the Public Accounts) show significant payments, on the behalf of the Government of Montserrat, made to pensioners residing overseas. However, weaknesses in record-keeping, capacity constraints, delays in assessments, and communication gaps have contributed to uncontactable beneficiaries unreconciled payables and receivables with other jurisdictions. These issues have persisted for many years and have periodically required regional attention, including involvement from the Eastern Caribbean Central Bank, underscoring the systemic nature of the problem.

4.7 Long delays in the O.D.G.'s reimbursements to other countries for overseas pensions. Several O.E.C.S. and Caribbean Governments administer pension-payments to retirees residing within their borders, including payments attributable to the Government of Montserrat. For example, retired judges of the Eastern Caribbean Supreme Court receive their pensions from the Government of the country in which they reside, with all O.E.C.S. member states obligated to reimburse their respective shares. Our review of documentation spanning more than 30 years revealed significant delays, often lasting several years, between the time that overseas pension payments were made and the O.D.G.'s reimbursement of Montserrat's portion. These long lags create financial uncertainty, complicate intergovernmental accounting, and risk undermining Montserrat's credibility in regional financial arrangements.

Recommendations

4.8 Minimise new arrears owed to other Governments. Every effort should be made to quantify, to reconcile, and to settle all outstanding payables and receivables related to overseas pension-payments made on behalf of the Government of Montserrat. It is essential that the Government's financial statements accurately reflect the true amounts owed for overseas pensions. In accordance with the Public Finance (Management & Accountability) Act and its regulations, the O.D.G. should ensure that obligations are paid promptly as they arise. Where monthly statements from other Governments are not received in a timely manner, the O.D.G. should take a proactive approach by requesting and obtaining these statements to avoid the accumulation of new arrears.

4.9 Gradually implement contribution-rates in line with actuarial costs. The O.D.G. should advocate through the Financial Secretary, the Minister of Finance, and the Cabinet for a comprehensive update to the decades-old non-contributory pension-framework for public officers. Introducing contributions is the most important step toward achieving long-term sustainability. As demonstrated by the successful reforms to strengthen the Montserrat Social Security Fund, contribution-rates can be introduced gradually and in phases to minimise impacts on households. Over time, this will create a fairer sharing of pension costs between taxpayers and the employees who will ultimately receive 100% of the pension-benefits. For example:

- Starting at 1% in year 1 for salaries up to $4,000 per month, rising to 5% by year 5.

- Starting at 5% in year 1 for salaries (& any other pensionable emoluments) over $4,000 per month, rising to 10% by year 5.

4.10 Update the Income Tax *Act* to incentivise all pension-fund contributions. Under the current income-tax regime, 100% of employees' contributions to the Montserrat Social Security Fund are deductible when calculating taxable income. The O.D.G. should propose that the MOFEM and the Cabinet consider extending this provision to include contributions to all recognised pension-funds. This change would encourage broader participation in retirement-planning, support the introduction of contribution-rates for public officers, and reduce the net impact on employees' take-home pay. For example:

- 5% contribution on a salary of EC$4,000 (i.e., EC$200) would result in a net deduction of only EC$120 to EC$140 after tax, making the transition more manageable for employees.

4.11 Strengthen efficiency and capacity. Given the millions of dollars of annual pension-benefits at stake, consistent and effective administration requires a team of appropriately trained, adequately equipped, and dedicated professionals within the O.D.G. Strengthening capacity is essential for ensuring accurate and timely tracking of eligibility, correct calculation and accrual of benefits, and prompt and reliable payment of benefits. Improved administrative capacity will help to minimise new arrears owed to pensioners, and will support the reduction of the large backlog of unreconciled or unpaid inter-country balances identified in previous years.

Part 2: Performance Management

Overview

4.12 This section examines the extent to which the O.D.G. effectively planned and budgeted for pensions and gratuities. It also highlights key trends affecting pension expenditure, including changes to benefit structures, limited preparation of employees approaching retirement, the steady growth in the number of pensioners, and the increasing annual amounts paid. These trends have significant implications for long-term fiscal sustainability and the Government's capacity to meet its pension-related obligations. We also note key trends such as changes to benefits, little or no preparation of pre-retirees, the steadily rising numbers of pensioners, and increasing annual totals of amounts paid.

Findings of the Audit

4.13 Lack of a reasonable cap on combined pension and Social Security benefits. Previous administrations recognised the moral hazard created when public servants were receiving both a government pension and a social Security pension. Since year 2011, policy-reforms, and actuarial recommendations have consistently proposed establishing a reasonable ceiling on the combined benefits, given that employees contribute only to Social Security, and not to the Governments' pension-scheme. However, in practice, no cap has been implemented. As a result, some retirees receive combined pension-benefits that exceed their former take-home pay, a finding reinforced by external actuarial reports. Other jurisdictions, including within the Caribbean, have addressed similar issues, by integrating public pensions and National Insurance/Social Security schemes, and eliminating "double-dipping," which otherwise provides windfall benefits entirely at taxpayers' expense.

4.14 Pension-rates were reduced by 50% for service after June 2011. While pensioners in earlier decades received comparatively generous benefits, current and recent employees accrue benefits at a substantially lower rate. Amendments to the Pensions Act in June, 2011, effectively halved the accrual rate, reducing it from:

- 1/600th of pensionable emoluments per month to
- 1/1200th of pensionable emoluments per month

for years of public service after that date. This represents a major structural shift in the long-term value of pension entitlements.

4.15 **Little or no pre-retirement counselling and education**. There was no systematic programme in place to prepare employees for retirement. Over the past several years, the O.D.G./H.R.M.U. has conducted only a few ad-hoc sessions (once every two years or more) and involving only small numbers of employees who were nearing their retirement-dates. For most employees, the only documented communication regarding pensions and retirement was a letter issued by the H.R.M.U./O.D.G. during their final year of employment. The absence of pre-retirement education leaves employees poorly informed about their benefits, options, and financial planning needs.

4.16 **Persistent under-budgeting for pensions and gratuities.** A review of the audited Public Accounts for the past 20+ years showed that there were adjustments to the original budgets for pensions and gratuities every year. Notably, the pattern in the revised budgets was overwhelmingly upward, and by large amounts: an average of $1.8 million per year (or 15% of original budgets). (See **Table 4.1** below.) In addition, the annual total of pension-payments has more than doubled: from $7.6 million in fiscal year 2004/2005 to over $16 million in fiscal years 2023/2024 and 2024/2025. This long-term trend of under-budgeting reflects structural weaknesses in forecasting, planning, and anticipating demographic and policy-driven cost-increases. (See the other table: **Table 4.2** below.)

Table 4.1: Original budgets for pensions & gratuities versus revised estimates.

Fiscal Years ending March 31st	Original Budgets	Revised Budgets	Increase / (Decrease) vs. Original	% Change from Original
2005	8,682,000	8,687,800	5,800	0.07%
2006	8,290,000	8,677,000	387,000	4.67%
2007	9,190,000	9,136,200	-53,800	-0.59%
2008	9,190,000	13,570,000	4,380,000	47.66%
2009	12,190,000	17,297,196	**5,107,196**	41.90%
2010	2,563,700	2,617,894	54,194	2.11%
2011	13,955,000	14,305,481	350,481	2.51%
2012	11,840,000	29,363,900	17,523,900	148.01%
2013	11,604,200	11,471,100	-133,100	-1.15%
2014	11,245,500	11,463,700	218,200	1.94%
2015	12,758,300	14,212,300	1,454,000	11.40%
2016	13,074,700	12,519,800	-554,900	-4.24%
2017	11,455,700	12,268,400	812,700	7.09%

2018	11,797,200	11,764,500	-32,700	-0.28%
2019	11,811,100	11,930,800	119,700	1.01%
2020	11,836,100	13,564,400	1,728,300	14.60%
2021	13,084,900	13,688,100	603,200	4.61%
2022	13,056,600	13,987,700	931,100	7.13%
2023	14,567,500	13,993,600	-573,900	-3.94%
2024	13,832,200	16,258,300	2,426,100	17.54%
2025	14,841,100	16,116,200	1,275,100	8.59%
Grand Totals	**240,865,800**	**276,894,371**	**36,028,571**	
Averages	**12,043,290**	**13,844,719**	**1,801,429**	**15%**

Source: Audited Public Accounts of the Government of Montserrat.

Table 4.2: Revised Budgets versus Actual Pensions Paid (years 2015 to 2025)

Fiscal Years ending March 31st	Revised Budgets	Benefits Paid	(Increase) / Decrease vs. Rev. Budget	% Change from Rev. Budget
2005	8,687,800	7,626,780	1,061,020	12.21%
2006	8,677,000	9,400,045	-723,045	-8.33%
2007	9,136,200	9,992,942	-856,742	-9.38%
2008	13,570,000	10,794,333	2,775,667	20.45%
2009	17,297,196	17,285,173	12,023	0.07%
2010	2,617,894	2,602,062	15,832	0.60%
2011	14,305,481	14,255,321	50,160	0.35%
2012	29,363,900	29,365,383	-1,483	-0.01%
2013	11,471,100	11,467,509	3,591	0.03%
2014	11,463,700	13,488,963	-2,025,263	-17.67%
2015	14,212,300	14,142,815	69,485	0.49%
2016	12,519,800	12,072,642	447,158	3.57%
2017	12,268,400	12,198,589	69,811	0.57%
2018	11,764,500	11,453,344	311,156	2.64%
2019	11,930,800	11,881,434	49,366	0.41%
2020	13,564,400	13,831,662	-267,262	-1.97%
2021	13,688,100	13,616,158	71,942	0.53%
2022	13,987,700	13,979,713	7,987	0.06%
2023	13,993,600	13,934,726	58,874	0.42%
2024	16,258,300	16,192,396	65,904	0.41%
2025	16,116,200	16,089,167	27,033	0.17%
Grand Totals	**276,894,371**	**275,671,157**	**1,223,214**	
Averages	**13,844,719**	**13,783,558**	**61,161**	**0.44%**

Source: Audited Public Accounts of the Government of Montserrat.

4.17 Some pensions remain below the social-welfare level. A key measure of the pension-system's performance is the extent to which benefits provide adequate replacement of employment-income. Another key metric of effective pension-plans is how well they protect lower-income retirees from falling below the poverty-line or equivalent practical benchmarks. The O.D.G.'s budget for fiscal year 2025/2026 indicated that up to 30% of Government pensions fell below the social-welfare ceiling of E.C.$900 per month. This finding is significant in light of the Government's recent policy that no full-time public servant should earn less than E.C.$2,000 per month, with E.C.$1,500 per month being fully exempt from income-taxes. This policy led to the elimination of several longstanding lower salary-scales (R51 to R45) in year 2024. The analyses that informed these wage improvements, and the concurrent review of the social-welfare framework, are also valuable for establishing and periodically updating an appropriate poverty-line estimate for Montserrat. Such benchmarks are essential for assessing whether pension-benefits meet basic living-standard requirements.

4.18 Rising numbers of pensioners each year. Over the past decade, the number of public-service retirees receiving pension-benefits has increased every year, even as Montserrat's overall population has declined. [See **Table 4.3** below.] From year 2013 to year 2024, the cumulative increase in the number of the Government's pensioners exceeded 70%. This trend aligns with the island's aging population as reflected in Census data. However, the fiscal implications are substantial. The ratio of Government pensioners to current Government employees has risen sharply since year 2012, and is now approximately 60%, meaning the Government pays 6 pensioners for every 10 active employees. This demographic shift underscores that the traditional non-contributory, pay-as-you-go pension model is no longer sustainable, given the widening gap between contributors and beneficiaries.

4.19 Table 4.3: Numbers of Public-Service Pensioners (Civil, Police, & Legislators)

Year	Total Number of Pensioners	Increase in Number of Pensioners	Percentage Increase
2013	315		
2014	395	70	
2015	413	18	
2016	442	29	
2017	460	18	
2018	480	20	
2019	484	4	
2020	488	4	
2021	509	21	

2022	526	17	
2023	539	13	
2024	540	1	
Grand totals	**11-year change**	**225**	**71%**

Source: The O.D.G.'s data-sets.

Recommendations

4.20 Integrate the Government's pensions with Social Security pensions. The O.D.G. should implement a reasonable cap on the maximum of the combined value of Government pensions and Social Security pension-benefits. Since the Social Security Fund already provides a pension of up to 55% of the first E.C.$4,000 of monthly employment income, the Government's pensions could be restructured to function as a top-up, rather than a duplication of coverage. For example, if a reasonable cap is set at 60% of average pensionable emoluments, the Government pension would cover the difference between this ceiling and the Social Security benefit. This approach would:

- Streamline public-sector pension arrangements
- Reduce overall fiscal costs
- Ensuring adequate income-coverage for retirees
- Prevent excessively generous windfalls to high-income employees who currently "double-dip," despite the Government pensions' being entirely non-contributory to date.

Reform in this direction would also free fiscal resources to strengthen the minimum-pension floor for lower-income employees, ensuring that no pensioner receives less than the social-welfare ceiling (currently E.C.$900 per month, plus other benefits). This minimum should be periodically reviewed and adjusted to reflect living-cost changes as well as whenever the Government grants general increases of salaries in the public sector.

4.21 Improve budgeting for pensions to prevent shortfalls. The O.D.G. should address the longstanding pattern of systematic under-budgeting for pensions. Annual projections should be based on [a] the actual pension-payments from the previous year, plus [b] a margin for new pensioners, given the steady annual increase in beneficiaries, plus [c] a provision for Early Retirements, given recent years' trends, in addition to [d] expected periodic increases for existing pensioners. Improved budgeting also requires the O.D.G. and the MOFEM to seek the Cabinet's approval and the F.C.D.O.'s support for realistic operational budgets each year, correcting the repeated shortfalls between allocated funds and known administrative costs. Budgeting should incorporate rolling 3-year and 5-year averages and trend-line analysis to improve forecasting accuracy and to reduce the need for large in-year adjustments.

4.22 Enhance outreach, education & engagement for employees. The O.D.G. should develop and implement a strategic, structured programme for pre-retirement education for public employees. This should include financial literacy, retirement-planning, budgeting, life-cycle health and safety considerations and understanding pension entitlements and options. The O.D.G. and the H.R.M.U. should host regular sessions for all eligible employees, not only those nearing retirement. Early and continuing education helps employees to prepare for both the financial and personal transitions associated with retirement. For many employees, receiving a notice letter only months before retirement is far too late. Moreover, the significantly reduced pension-accrual rate since June, 2011, means that employees must take greater responsibility for saving, investing, and planning for retirement. A single pension will no longer be sufficient to meet the full range of post-retirement needs, including living cost, medical care, and any remaining financial obligations.

CHAPTER 5: AUDIT CONCLUSIONS

5.1 Overall, the O.D.G. has a clear legislative framework and has an established governance structure for managing its responsibilities. However, in practice, we have noted several inefficiencies in operations, and a large backlog of pension-account reconciliations with, and reimbursements to, other countries over the past 30 years. There are large and recurring financial gaps between [a] budgeted pension expenses, [b] the actual pensions paid, and [c] the contributions required to cover the total costs of operations each year. These gaps have widened as the number of pensioners has grown rapidly over the past decade, even as Montserrat's population has declined. The resulting increase in the ratio of the Government's pensioners to active public-service employees is very high and rising each year, and this has further undermined the fiscal sustainability of the Government's non-contributory pension-system.

5.2 It is necessary that the Cabinet and the Legislative Assembly approve adjustments to contribution-rates that reflect the true operating and actuarial costs of delivering pension-services. Without such reforms, the Government will continue to accumulate unfunded pension-related liabilities, exposing itself to persistent internal deficits, and an increasing reliance on grants, loans, and external support. At the same time, the O.D.G. must strengthen its operational efficiency. Transitioning away from paper-based processes and expanding the use of electronic systems, digital communication, and modern payment-methods are essential steps for improving service-delivery. Enhanced accounting, reporting, communication, and public education will help to ensure that all stakeholders understand both the benefits to which they are entitled and the full costs of providing those benefits.

APPENDIX 1: KEY REFERENCES

Pensions Act. Government of Montserrat.

Legislators' Conditions of Service Act. Government of Montserrat.

Police Act. Government of Montserrat.

Public Finance (Management & Accountability) Act of 2008. Government of Montserrat.

Public Finance (Management & Accountability) Regulations of 2009. Government of Montserrat.

Sustainable Development Plan (SDP) (2008 to 2020). Government of Montserrat.

Montserrat Information & Communications Technology Policy. Government of Montserrat.

Income and Corporation Tax Act. Government of Montserrat.

Electronic Transactions Act. Government of Montserrat.

APPENDIX 2: MANAGEMENT RESPONSES

Audit Recommendations & Follow-up Actions
Re: Performance Review of the Government of Montserrat's Pensions
May, 2026

Findings	*Recommendations*	*Management Response*	*Actions Undertaken To Date & Responsibility*	*Date of Planned Implementation*
	Chapter 2: Governance			
2.9 Records are kept, but rely heavily on paper and are not always up to date. **2.10 Good/long retention of some types of records.** **2.11 Issues related to storage of files**.	**2.14 Digitise records and storage of files.** The O.D.G. should prioritise the digitisation of records and coordinate a service-wide effort to digitise employees' files held within Ministries and Departments. Digitisation will significantly improve the accessibility of records, reduce dependence on physical storage, and ensure that critical documents are preserved through secure digital back-ups. Urgent attention should be given to related to appointments, increments, promotions,	*Digitisation is a priority for the ODG and will be completed over the medium term (3-5 years). A comprehensive HRIS system is being considered which will introduce a Human and Capital Management (HCM) module. In the meantime, we are drafting a concept in collaboration with DITES to attract funding to scan and save physical records in preparation for a fully digitised system.*	*Meetings with Smart Solutions to discuss and agree on the requirements for an HCM. (Replacement for Smart Stream).* *Discussions with key stakeholders including MoFEM, DITES to agree next steps for the adoption of Cloud Suite* *Meeting agreed that GoM will not be able to finance the full solution before fy 2027/2028.* *Preparing documents to support a small project to digitise records over summer of 2026 dependent on the availability of funds*	*Post 2027-2028*

Findings	*Recommendations*	*Management Response*	*Actions Undertaken To Date & Responsibility*	*Date of Planned Implementation*
	and pension-related calculations as these are essential for accurate administration of pensions. Enhanced data-management and file-management will also strengthen succession-planning, on-boarding of new staff, training and development, business-continuity, disaster-recovery, and the long-term resilience of the public service.	*Noted and will be considered as part of the digitisation process* *A data retention policy is currently being considered for Cabinet by the Chief Information Officer within DITES*	*Not applicable*	
2.12 Outdated cash-basis of accounting and reporting.	**2.15 Update accounting and reporting to accrual-based standards.** Transitioning to accrual-based accounting, in line with IPSAS and IFRS, will provide a more accurate and transparent representation of the Government's financial position. Accrual accounting records expenses and liabilities when they are incurred, rather	*The ODG can commit to providing the pension liabilities for the next 3 years in the Annual report to assist with the reporting. The ODG cannot determine what standard or accounting framework GoM chooses to utilise.*	*Data prepared for the Annual Report to be submitted to the Accountant General at the end of May 2026*	*Annual Report will be submitted at the end of May 2026.*

Findings	*Recommendations*	*Management Response*	*Actions Undertaken To Date & Responsibility*	*Date of Planned Implementation*
	than only when cash payments are made — sometimes, years or decades later. This approach ensures that all obligations, including pension liabilities, are fully captured. It enhances transparency**,** accountability, and informed decision-making for those responsible for managing public resources. It also improves communication with stakeholders and helps educate public employees about the true long-term costs of the pension benefits promised to them. This shift to updated standards is essential for modern public financial management and for effective reporting to international partners.			
2.3 Independent actuarial reviews.	**2.16 Review, update, and integrate laws and policies affecting pensions**.	*Cabinet has agreed and an Actuary procured to discuss and recommend the transition from a defined benefit*	*Meeting of the Pensions Committee commenced on May 8th and every 2*	*Not before 2027/2028 fy*

Findings	Recommendations	Management Response	Actions Undertaken To Date & Responsibility	Date of Planned Implementation
2.4 Legislators' pensions are the most generous category. **2.5 Commuted gratuities for legislators not qualifying for a pension.** **2.6 Pensions for police-officers are a special category.** **2.7 Pensions for public employees in standard pensionable/establishment posts.** **2.8 Employees not covered by Government's pensions**.	The O.D.G., along with partners such as the Attorney General's Chambers, the Royal Montserrat Police Service, the Office of the Premier (which includes Regional Affairs and matters relating to the Diaspora), and the MOFEM, should review current laws, regulations, and policies for discrepancies, inconsistencies, and inequities: E.g. #1, **integrating the various Acts** to remove instances of discrimination, such as preventing police-officers from carrying forward their years of pensionable service when they transfer to employment elsewhere in the public sector. E.g. #2, **updating laws, regulations, and policies to reflect current realities**, including rising life-expectancies, and demographic trends. E.g. #3, ensuring **portability of eligibility and benefits** across employment-types, thereby supporting the flexible movement of skills,	*pension scheme to a defined contribution scheme. This will consider transitional arrangements, levels of contribution, introduce new pensions legislation and supporting regulations, tools, and guidelines.* *The issue of pensions paid by regional governments are a key feature on the agenda of meetings of regional Accountants General annually. Given that the amounts to be claimed are materially insignificant in most cases, regional governments claim after for 3-5 years.* *The AG's Chambers is currently reviewing possible amendment to legislation to deal with issues raised regarding police officers transferring to the public service.* *Will be considered as part of the new pensions legislation to support the revised scheme*	*weeks. A proposal will be submitted to Cabinet at the end of October 2026*	

Findings	*Recommendations*	*Management Response*	*Actions Undertaken To Date & Responsibility*	*Date of Planned Implementation*
	and career-development, whilst strengthening social safety-nets. E.g. #4, also **harmonising frameworks and practices across the CARICOM and the O.E.C.S.** to remove remaining barriers to regional integration, and to promote the fair treatment of immigrant workers and their families.	*It is expected that the new scheme will offer some flexibility. Regional portability will need to be discussed at the level of CARICOM and/or OECS*		
	Chapter 3: Efficiency			
3.2 Alignment with Policy Agenda / S.D.P Frameworks.	**3.7 Integrate objectives with the S.D.G.s.** The O.D.G. should ensure that its organisational objectives are clearly defined, measurable, and assessed annually with each objective explicitly linked to the relevant global S.D.G.s. These objectives should be supported by specific actions that advance progress towards achieving or surpassing	*The National Outcomes should consider the UN SDG's rather than these being explicitly outlined in the ODG Strategic Plan. E.g., Montserrat's National Outcome 7 "Healthy Lives and Wellbeing for All" incorporates SDG 3: Good Health and Wellbeing.*		

Findings	*Recommendations*	*Management Response*	*Actions Undertaken To Date & Responsibility*	*Date of Planned Implementation*
	Montserrat's national targets under the 2030 Agenda for Sustainable Development. This alignment will promote: [a] policy-coherence between Departments/Ministries, [b] vertical integration across all levels of the GOM, and [c] a whole-of-Government approach to national priorities, enabling measurable progress toward sustainable development outcomes. In addition, this alignment will help to ensure that strategic planning, budgeting, and performance-management are mutually reinforcing.			
3.4 Simplifying the verification of pensioners' life-status.	**3.8 Set, review, and upgrade standards of service.**			*Ongoing*

Findings	*Recommendations*	*Management Response*	*Actions Undertaken To Date & Responsibility*	*Date of Planned Implementation*
3.5 Customers have strong interest in online payments and electronic channels. **3.6 Low public profile and limited use of online platforms**.	The O.D.G. should establish regular reviews, and progressively enhance service-delivery standards across all areas of its operations. These standards should be client-centred and supported by clear performance-measures such as these: (1) average response-times for telephone calls, postal correspondence, and email enquiries; (2) average processing times for new pension-applications; (3) frequency and effectiveness of public-education and employee-education initiatives including participation-levels and demonstrated impact; (4) measures of client-satisfaction;	*Work in progress. Customer Satisfaction Surveys undertaken in 2025/2026 for HR and Consular Services* *Will broaden scope for customer feedback as necessary*	*Feedback sought to guide policy and processes. HR Customer Survey* *Consular processes Customer Survey*	

Findings	*Recommendations*	*Management Response*	*Actions Undertaken To Date & Responsibility*	*Date of Planned Implementation*
	(5) measures of employees' satisfaction; (6) numbers of disputes, complaints, and objections, both new and carried forward; (7) average timeframes for resolving disputes; and (8) indicators of satisfactory outcomes. Developing and reporting on these standards will help the O.D.G. to achieve consistent service-delivery, to identify areas for improvement, and to demonstrate accountability to the public.			
3.4 Simplifying the verification of pensioners' life-status.	**3.9 Broaden stakeholders' feedback through multiple channels.**	*Will broaden scope of feedback mechanisms*		*Not before 2027/2028 fy*

Findings	*Recommendations*	*Management Response*	*Actions Undertaken To Date & Responsibility*	*Date of Planned Implementation*
3.5 Customers have strong interest in online payments and electronic channels. **3.6 Low public profile and limited use of online platforms**.	The O.D.G. should periodically seek, document, and report feedback on its services, and actively encourage inputs from employees, pensioners, and other stakeholders. This could be achieved through structured mechanisms such as annual surveys, targeted consultations, and ongoing engagement activities. Beyond the option of a regular radio programme both for public education and outreach, the O.D.G. and other key stakeholders should adopt a multi-channel communication strategy to reach pensionable employees and pension clients. This should include the use of websites, social media, telephone, mobile marketing, email, radio programmes and news-broadcasts, audio and video content, and other accessible digital media.		*Created and received approval for a Communications Officer who will work in coordination with the Government Information systems*	

Findings	*Recommendations*	*Management Response*	*Actions Undertaken To Date & Responsibility*	*Date of Planned Implementation*
	Effective communications require targeted messaging tailored to the needs of each stakeholder group. This will improve outreach, enhance service-delivery, and strengthen trust and transparency across the pension-system. For example: • Current employees need information on pre-retirement planning and pension-options, • On-island pensioners require updates on payment-processes and service-access, • Overseas pensioners need guidance on verification procedures, remittances, and digital services.			
3.4 Simplifying the verification of pensioners' life-status.	**3.10 Enable online accounts and full e-government functionality.**			***Ongoing***

Findings	*Recommendations*	*Management Response*	*Actions Undertaken To Date & Responsibility*	*Date of Planned Implementation*
3.5 Customers have strong interest in online payments and electronic channels. **3.6 Low public profile and limited use of online platforms**.	The O.D.G. should accelerate the transition toward full online functionality for its website and digital systems, in line with the capabilities of e-Government, the objectives of the ***Montserrat Information & Communications Technology Policy***, and the rights established under the ***Income and Corporation Tax Act*** and the ***Electronic Transactions Act***. Clients should be able to access their individual accounts and statements, and to submit queries electronically, upload all required documents and forms through secure online channels and communicate with the O.D.G. via email and other digital platforms. Completing this digital transformation would significantly reduce the time and effort currently spent by staff on receiving,	*Note that Cabinet has agreed to transfer the payment of pensions to the Social Security Fund. The administration of pensions will remain with ODG for the time being. This is to create efficiencies with proof of life processes and will allow pensioners to deal with one institution for pensions rather than 2 processes with SSF and GoM. The SSF already has a digitised verification tool.* *Will be improved with the onboarding of a Communications Officer*	*Temporary arrangement commenced on 11 May 2026*	***Ongoing***

Findings	*Recommendations*	*Management Response*	*Actions Undertaken To Date & Responsibility*	*Date of Planned Implementation*
	handling, sorting, storing, and scanning physical documents from employees and pension clients. All forms should be converted into fully editable, configurable electronic formats, eliminating the need for printing, manual completion, and in-person submissions. This shift would modernise service delivery, improve efficiency, and enhance accessibility for clients both on-island and overseas.			
	Chapter 4: Sustainability			
4.6 Outdated and unreconciled payables and receivables with other countries.	**4.8 Minimise new arrears owed to other Governments.** Every effort should be made to quantify, reconcile and settle all outstanding payables and receivables related to overseas pension	*ODG is making every effort in the absence of data to capture the liability to regional governments. The amounts will be reported in the Annual report due in May 2026*		*Ongoing*

Findings	*Recommendations*	*Management Response*	*Actions Undertaken To Date & Responsibility*	*Date of Planned Implementation*
	payments made on behalf of the Government of Montserrat. It is essential that the Government's financial statements accurately reflect the true amounts owed for overseas pensions. In accordance with the ***Public Finance (Management & Accountability) Act*** and its regulations, the O.D.G. should ensure that obligations are paid promptly as they arise. Where monthly statements from other Governments are not received in a timely manner, the O.D.G. should take a proactive approach by requesting and obtaining these statements to avoid the accumulation of new arrears.	*Once the accurate information is received and verified annual commitments will be met.* *This has been done with no success. ODG commits to making the payments it is aware of annually and will reconcile these against future claims*		*Ongoing*
2.3 Independent actuarial reviews. **4.3 Negative bottom line: Long-term trend of net losses**.	**4.9 Gradually implement contribution-rates in line with actuarial costs.** The O.D.G. should advocate through the Financial Secretary, the Minister of Finance,			*Ongoing*

Findings	*Recommendations*	*Management Response*	*Actions Undertaken To Date & Responsibility*	*Date of Planned Implementation*
4.4 Pension-liabilities are large and rising, exceeding $200 million. **4.5 No reserves are in place for pensions, while costs have soared.**	and the Cabinet for a comprehensive update to the decades-old non-contributory pension framework for public officers. Introducing contributions is the most important step toward achieving long-term sustainability. As demonstrated by the successful reforms to strengthen the Montserrat Social Security Fund, contribution-rates can be introduced gradually and in phases to minimise impacts on households. Over time, this will create a fairer sharing of pension costs between taxpayers and the employees who will ultimately receive 100% of the pension-benefits. For example: • Starting at 1% in year 1 for salaries up to $4,000 per month, rising to 5% by year 5.	*Work in progress* *The details of the contributory scheme will be discussed and agreed with Cabinet after the Actuarial work has been undertaken. The examples presented have been noted.*		

Findings	*Recommendations*	*Management Response*	*Actions Undertaken To Date & Responsibility*	*Date of Planned Implementation*
	• Starting at 5% in year 1 for salaries (& any other pensionable emoluments) over $4,000 per month, rising to 10% by year 5.			
4.3 Negative bottom line: Long-term trend of net losses. **4.4 Pension-liabilities are large and rising, exceeding $200 million.** **4.5 No reserves are in place for pensions, while costs have soared.**	**4.10 Update the Income Tax Act to incentivise all pension-fund contributions.** Under the current income-tax regime, 100% of employees' contributions to the Montserrat Social Security Fund are deductible when calculating taxable income. The O.D.G. should propose that MOFEM and the Cabinet consider extending this provision to include contributions to all recognised pension-funds. This change would encourage broader participation in retirement-planning, support the introduction of contribution-rates for public officers, and reduce the net impact on employees' take-home pay.	*Cabinet will make this determination when the new pension plan is being discussed* *This recommendation depends on the direction the new pension scheme takes and how it is administered.*		

Findings	*Recommendations*	*Management Response*	*Actions Undertaken To Date & Responsibility*	*Date of Planned Implementation*
	For example: 5% contribution on a salary of EC$4,000 (i.e., EC$200) would result in a net deduction of only EC$120 to EC$140 after tax, making the transition more manageable for employees.			
4.6 Outdated and unreconciled payables and receivables with other countries. **3.2 Alignment with Policy Agenda / S.D.P Frameworks.** **3.6 Low public profile and limited use of online platforms**.	**4.11 Strengthen efficiency and capacity.** Given the millions of dollars of annual pension-benefits at stake, consistent and effective administration requires a team of appropriately trained, adequately equipped, and dedicated professionals within the O.D.G. Strengthening capacity is essential for ensuring accurate and timely tracking of eligibility, correct calculation and accrual of benefits, and prompt and reliable payment of benefits.	*Pension benefits are calculated by tools developed by the Actuary. It requires knowledge of the Act and Regulations, and individuals' circumstances as presented in their file. The initial calculations are undertaken by the ODG and verified by the Accountant General. It would useful to understand the level of training required to undertake this work outside of actuarial qualifications. This is not practical for the purposes of GoM's pension portfolio.* *It would be useful to understand if the audit detected instances of errors and was concerned about the severity or implications of these.* *The issue of budgeting for pensions arose from the absence and maintenance of a pensions database.*		

Findings	*Recommendations*	*Management Response*	*Actions Undertaken To Date & Responsibility*	*Date of Planned Implementation*
	Improved administrative capacity will help minimise new arrears owed to pensioners and support the reduction of the large backlog of unreconciled or unpaid inter-country balances identified in previous years.	*This has now been developed and regularly updated. Further work is ongoing to ensure that all staff including new entrants are featured.* *Payments are made for normal retirement in a timely manner. There have been instances of "late" payments to early exits. This is partly due to persons expectations that early exit benefits are due immediately contrary to law. It is difficult to predict but our current approach is to make provisions for at least 6 per annum based on trends although there is no legal obligation to do so.*		
4.13 Lack of a reasonable cap on combined pension and Social Security benefits.	**4.20 Integrate the Government's pensions with Social Security pensions**. The O.D.G. should implement a reasonable cap on the maximum of the combined value of Government pensions and Social Security pension-benefits. Since the Social Security Fund already provides a pension of up to 55% of the first E.C.$4,000 of monthly employment income, the Government's pensions could be restructured to function as a top-up, rather than a duplication of coverage.	*I note a section in the pensions Act where this is provided for and am unable to comment on why it hasn't been implemented. However, this will become redundant since new legislation will treat with it.*		

Findings	*Recommendations*	*Management Response*	*Actions Undertaken To Date & Responsibility*	*Date of Planned Implementation*
	For example, if a reasonable cap is set at 60% of average pensionable emoluments, the Government pension would cover the difference between this ceiling and the Social Security benefit. This approach would: • Streamline public-sector pension arrangements • Reduce overall fiscal costs • Ensuring adequate income-coverage for retirees • Prevent excessively generous windfalls to high-income employees who currently "double-dip," despite the Government pensions' being entirely non-contributory to date. Reform in this direction would also free fiscal resources to strengthen the minimum-			

Findings	Recommendations	Management Response	Actions Undertaken To Date & Responsibility	Date of Planned Implementation
	pension floor for lower-income employees, ensuring that no pensioner receives less than the social-welfare ceiling (currently E.C.$900 per month, plus other benefits). This minimum should be periodically reviewed and adjusted to reflect living-cost changes as well as whenever the Government grants general increases of salaries in the public sector.			
4.16 Persistent under-budgeting for pensions and gratuities. **4.18 Rising numbers of pensioners each year.**	**4.21 Improve budgeting for pensions to prevent shortfalls.** The O.D.G. should address the longstanding pattern of systematic under-budgeting for pensions. Annual projections should be based on: [a] the actual pension-payments from the previous year, plus	*The database for managing the budget has been updated and will be regularly maintained and reconciled.* *The budget has a forward focus and can be estimated based on actual spend and expected spend due to expected normal retirees in a given period and an estimate for early retirements/exits.*		

Findings	Recommendations	Management Response	Actions Undertaken To Date & Responsibility	Date of Planned Implementation
	[b] a margin for new pensioners, given the steady annual increase in beneficiaries, plus [c] a provision for Early Retirements, given recent years' trends, in addition to [d] expected periodic increases for existing pensioners. Improved budgeting also requires the O.D.G. and MOFEM to seek the Cabinet's approval and the F.C.D.O.'s support for realistic operational budgets each year, correcting the repeated shortfalls between allocated funds and known administrative costs. Budgeting should incorporate rolling 3-year and 5-year averages and trend-line analysis to improve forecasting accuracy and to reduce the need for large in-year adjustments.			

Findings	*Recommendations*	*Management Response*	*Actions Undertaken To Date & Responsibility*	*Date of Planned Implementation*
4.14 Pension-rates were reduced by 50% for service after June 2011. **4.15 Little or no pre-retirement counselling and education**. **4.17 Some pensions remain below the social-welfare level**. **4.18 Rising numbers of pensioners each year.**	**4.22 Enhance outreach, education & engagement for employees.** The O.D.G. should develop and implement a strategic, structured programme for pre-retirement education for public employees. This should include financial literacy, retirement-planning, budgeting, life-cycle health and safety considerations and understanding pension entitlements and options. The O.D.G. and the H.R.M.U. should host regular sessions for all eligible employees, not only those nearing retirement. Early and continuous education helps employees prepare for both the financial and personal transitions associated with retirement. For many employees, receiving a notice letter only months before retirement is far too late.	*In progress as part of the work programme for the Communications Officer. This will become even more critical during and after implementation of the new Pensions legislation.*	*A pensions calculator and guidance notes have been developed for public officers to utilise. It will be uploaded on the website at the beginning of June 2026.*	*Continuous from June 2026*

Findings	*Recommendations*	*Management Response*	*Actions Undertaken To Date & Responsibility*	*Date of Planned Implementation*
	Moreover, the significantly reduced pension accrual rate since June 2011 means that employees must take greater responsibility for saving, investing, and planning for retirement. A single pension will no longer be sufficient to meet the full range of post-retirement needs, including living cost, medical care, and any remaining financial obligations.	*The Act provides for the Accounting Officers to inform HRMU of persons who will retire in a given year. However, the ODG commencing 2025/2026 through HRMU has provided Ministries and Departments with the names of officers who are due to retire for the current year and the next 2 years. The notice for the first year may have been short, but 3 years' worth of this information is not short notice by any stretch of the imagination. A further notice is sent a few months before as a reminder.* *Whilst this may be true, GoM provides a pension, Social Security provides a pension, it is up to individuals to make personal financial arrangements for additional benefits if they so desire. What is important is that we provide them with the information early enough to facilitate their financial planning decisions.*		

Deputy Governor
Office of the Deputy Governor
27 May 2026