Statement by

the Honourable Minister for Finance and Economic Development

on

the "Exceptional Circumstance" Transactions Incurred During the 2025 Financial Year

by the Ministry of Finance and Economic Development

Mister Speaker, pursuant to Section 11(6) of the Public Management and Finance Act (2020 Revision), I rise to make this Statement to Members of this Honourable House with respect to the "exceptional circumstance" transactions approved by Cabinet for the Ministry of Finance and Economic Development during the 2025 financial year, in accordance with Section 11 (5) of the Act.

Mister Speaker, I will briefly outline these transactions.

OE 121 - Additional Normal Cost for Pension Plans

During 2025, Mister Speaker, the actuary for the Government's pension plans assessed that an additional $939,000 was required to meet the normal cost of the plans.

As Members will be aware, the Government is required to fund the actuarially assessed annual contributions necessary to cover the benefits earned by current employees, above the standard employer contribution rate.

Accordingly, Cabinet approved supplementary funding of $939,000 to enable the payment to the Public Service Pension Fund.

OE 54 - Caribbean Catastrophe Risk Insurance Facility (CCRIF) - Annual Premium

Mister Speaker, during 2025, the annual premium for the Caribbean Catastrophe Risk Insurance Facility, or CCRIF, increased by $87,500.

CCRIF provides member countries with rapid cash payouts within 14 days of a covered natural disaster, based on the severity of the event and associated losses, enabling timely disaster response and recovery.

Cabinet therefore approved supplementary funding of $87,500 to meet this increased premium.

OE 9 – Caribbean Economic Community (CARICOM) Fees

Mister Speaker, during 2025, the Caribbean Economic Community or CARICOM, advised that Cayman's annual contribution was increased to an average of US$357,000 per year for the next three years.

As Members will recall, CARICOM - established in 1973 by twenty-member countries - promotes regional economic integration; foreign policy coordination; human and social development; and security. The Cayman Islands is an Associate Member of CARICOM.

Cabinet accordingly approved supplementary funding of $67,000 to cover the increased contribution.

EI 95 – Utility Regulation and Competition Office

Mister Speaker, the Utility Regulation and Competition Office required an additional $1,200,000 during 2025 to meet its operational expenditure commitments for the remainder of the year.

Cabinet approved the supplementary funding to ensure its continuity of operations.

OE 110 – General Insurance and OE 27 - Past Service Pension Liability

Mister Speaker, to offset the above supplementary funding, the Ministry identified equivalent savings totalling $2,293,500: $1,354,500 from within its 2025 OE 110 – General Insurance appropriation; and $939,000 from within its 2025 OE 27 Past Service Pension Liability appropriation.

The 2025 OE 110 – General Insurance appropriation covers all of Government's property, liability and motor vehicle insurance costs. For 2025, $13,100,000 was budgeted, with an additional $1,600,000 carried forward from unspent 2024 funds.

Savings of $1,354,500 were achieved from the general insurance appropriation as a result of actual insurance premium increases being significantly lower than the 26% escalation originally projected for 2025. This favourable outcome reflected more stable market conditions than anticipated.

Mister Speaker, savings were also achieved from the 2025 OE 27 – Past Service Pension Liability appropriation, which covers the additional amount that the Government pays into the Public Service Pension Funds to address the pension actuarial deficiency which resulted from 27 years of unfunded pension liabilities.

The savings of $939,000 were as a result of the higher Normal Cost contributions made during 2025, as the increased Normal Cost contributions lessened the unfunded liability and therefore reduced the annual top-up amount required.

Impact on Financial Performance and Compliance with the Principles of Responsible Financial Management

Mister Speaker, while these exceptional transactions increased forecast Capital Expenditure by a net $1,200,000, Operating Expenditure decreased by an equivalent amount. Consequently, there was no impact on Government's forecast Cash Reserves or compliance with the Principles of Responsible Financial Management.

Meeting the Definition of Exceptional Circumstance Transactions

Mister Speaker, the supplementary expenditures meet the definition of "exceptional circumstances" under Section 11(5) of the Act as:

1. the expenditures were not known when the 2025 Budget was prepared in December 2023 and arose from factors beyond the control of the Ministry and Cabinet;

2. failure to pay the CCRIF premium could expose Government to significant financial and operational risks in the event of a natural disaster;

3. failure to provide URCO with sufficient funding would risk disrupting the Office's regulatory operations and its ability to meet statutory obligations;

4. failure to meet CARICOM contributions could result in the loss of Member benefits; and

5. it was impractical for the Ministry to seek Parliament's prior approval under Section 12 of the Act.

Mister Speaker, in conclusion, I thank you for allowing me the opportunity to present this statement on the exceptional circumstance transactions approved by the Cabinet for the Ministry of Finance and Economic Development during the 2025 financial year.

Thank you, Mister Speaker.