

**REMARKS BY MINISTER OF FINANCE, HON KAREN NUNEZ-
TESHEIRA,
ON THE OCCASION OF THE DELIVERY OF ANNUITY CERTIFICATES
TO THE FORMER EMPLOYEES OF CARONI**

JANUARY 22 2010

Mr. Chairman, I am indeed privileged to participate in this milestone function and to deliver annuity certificates to certain pension-eligible former employees of Caroni. Putting your pension arrangements on a sound and secure basis represented a key commitment which was made by the Government and Caroni (1975) Limited (Caroni) to the **9,000** former employees in the **February 2003** Voluntary Separation of Employment Plan (VSEP) arrangements. Included in those arrangements were provisions for residential service lots, two acre-sized agricultural plots and access to technical, vocational and agricultural training. You do recall that those commitments were made in the context of collaboration and agreement with your representative union: *All Trinidad Sugar and General Workers Trade Union (ATGSWTU)* and I wish to take this opportunity to welcome to this function the President-General, Mr. Rudranath Indarsingh and his colleagues.

Mr. Chairman, the **2003** VSEP arrangements came at an opportune time. The sugar industry was in collapse. International prices had been on a persistent decline for many years. As one of the highest cost producers among sugar producing countries, our revenue streams were substantially below cost of production. Moreover, the preferential market regime for sugar was not considered to be WTO compliant and as such, the European Union initiated a framework for bringing the production and prices of sugar into broad alignment with international trading rules and practices. As a result, the preferential market regime for sugar from exporting countries under the Cotonou Agreement was required to be phased out. Without secure markets and prices, the future of the sugar industry became uncertain and bleak, as it was for the more than **9,000** personnel who were employed by Caroni in **2003**.

Mr. Chairman, we are all aware that human and capital resources in the industry were underutilized and lands had become increasingly unproductive. The VSEP arrangements represented an initial step by Government to transform those resources into productive and industrious activities. They represented a comprehensive approach to address the future livelihood of the former employees of Caroni. As an initial step, the Government disengaged from the cultivation of sugarcane and put together a *package of benefits* which was aimed at transitioning employees from the sugar sector by making immediately

decisive differences in their lives. We created the opportunity to ensure that you continued to be productive workers and that you were able to participate fully into an expanding domestic economy:

- *Firstly*, we provided *transitional finance* to bridge the re-absorption of Caroni employees into continued productive activity. The cost of severance and enhanced payments was **\$741.5 million**;
- *Secondly*, we created a pool of appropriately trained human resource opportunities in areas of your choice: **3,400** former employees participated in academic, technical and vocational training. The cost of this programme was **\$16.5 million** and it allowed you who took advantage of the programmes to be in positions to secure high value jobs in the expanding manufacturing and industrial activities of Trinidad and Tobago. This is being facilitated by the generation of jobs on **three (3)** industrial estates being established by Evolving Technologies and Enterprise Development Company Limited (Eteck) on lands formerly owned by Caroni at Preysal, at Dow Village and North of the Divali Nagar site; but the training programmes also contained a strong agricultural content, the Government being mindful that it was rolling out the

infrastructure for **29** agricultural estates on the lands formerly owned by Caroni; and

- *Thirdly, we set in train the technical and actuarial work to provide and secure sustainable pensions to all who were eligible to receive such pensions. That work has resulted in the purchase by the trustee of deferred and immediate annuities from the provider CLICO [Trinidad] Limited.*

Mr. Chairman, the provision of secure and safe pensions for the former daily-and monthly-paid employees of Caroni represented an important pillar in the VSEP arrangements. We are well aware that the pension plan for monthly-paid employees was generally well-structured and funded. You do recall that the plan was upgraded, by this government, in **July 2003** with benefit enhancements. However, the upgrade did not address deferred pensioners. The reform of the monthly staff pension arrangements has already been put in place with all deferred pensioners now participating equitably in the upgrade which took place in **July 2003**. The trustees and Caroni agreed to wind-up the plan and to distribute the emerging surplus to all members on a proportionate basis. The increased pension associated with the benefit improvements will be paid on or before **March 31 2010**.

Mr. Chairman, while the technical and policy work relating to the monthly-paid pension plan was relatively straight forward, the work on the daily-paid plans – the Old Scheme and the New Plan - represented a significantly challenging exercise. A substantial amount of unpaid contributions – some **\$61.0 million** was due to the New Plan from Caroni and significantly other *ex-gratia pensions* were paid based on industrial agreements and more informal custom and practice. These *ex-gratia* pensions had not been incorporated in any of the formal pension arrangements and, as such, funds had not been put aside to pay them. They were dealt with on a month-to-month basis through subventions provided by the Government to Caroni.

In addition, the database of the current and potential beneficiaries of the daily-paid pension arrangements was woefully inadequate. The database now contains records of **10,094** former daily-paid employees who would normally be entitled to pension benefits. However, it became clear from the outset that the database contained significant numbers of errors, omissions and duplications and many of the *supposed* beneficiaries simply could not be located. A considerable amount of work has been carried out by the various stakeholders to address those database problems, but even with those substantial efforts it has been impossible to resolve.

Mr. Chairman, for that reason the Government quickly agreed upon the innovative approach and solutions which were developed by Caroni and its advisors to secure the benefits for the former daily-paid employees. I wish to share with you the status of the pension arrangements:

- the Trustees of the Old Scheme and New Plan together with Caroni have almost completed the purchase of annuities from CLICO to secure the benefits payable to **7,436** former daily-paid employees for whom the data were considered available and sufficient. Since the publication of the list earlier this month, the continuing communications exercises and interactive sessions conducted by Caroni are instrumental in the establishment of that secure base;
- the Government and Caroni have placed resources needed to meet annuity purchases for a further **2,658** former daily-paid employees into a separate *Reserve Fund*, given that despite the communication programmes of Caroni, the data for those potential beneficiaries were not sufficiently adequate to purchase annuities immediately or simply put, the potential beneficiaries could not be found; but the verification

exercises are continuing. The resources are being held by the Trustee and former daily-paid employees who now come forward would be able to claim their benefits from the *Reserve Fund*, after **seven (7)** years the Fund will be wound-up and any assets remaining will be transferred to Government. Thereafter Government would assume the responsibility of meeting any legitimate claim; and

- the remaining **2,551** cases from the original database represent individuals who have already received their benefit entitlements in full and thus they would not be entitled to any additional benefits.

Mr. Chairman, Caroni has now published **two (2)** lists; one which contains the names of the beneficiaries for whom annuities have been purchased and whose certificates are being delivered by CLICO; the other contains the names of those potential beneficiaries on whom we need information. I do hope that they would now utilize the facilities established by Caroni to establish the legitimacy of their claims so that the relevant annuities can be purchased from the Reserve Fund.

Mr. Chairman, the Government has issued **two (2)** bonds in an aggregate amount equivalent to **\$369.163 million** to meet the cost of the annuity purchases and with authority to issue additional bonds bringing

the total up to **\$510.0 million** to meet the cost of any claim which might emerge from those possible beneficiaries on the Reserve Fund list. Let me remind you that your pensions are fully guaranteed through the establishment of a number of legal instruments:

Firstly, the provision of a consolidated guarantee and indemnity for the Old Scheme and the New Plan through the execution on **May 15 2009** of a Deed of Guarantee and Indemnity between the Minister of Finance and Republic Bank Limited. That consolidated guarantee and indemnity will ensure that CLICO Trinidad meet the payment of the annuities and also protect the trustee against any future legal action which might be brought against the trustee by any beneficiary of the Plan as a result of the purchase of annuities from CLICO. You do recall that on **June 14 2007** CLICO was selected through an open competitive tendering process involving five (5) insurance providers;

Secondly, the legal establishment of the Reserve Fund to be held by the trustee of the pension plans: Republic Bank Limited, through the execution on **May 15 2009** of a Deed of Trust among the Minister of Finance, Caroni and Republic Bank Limited.

Thirdly, the appointment of RBTT Trust Limited as trustee for a bond issue of up to **\$500.0 million** through the execution on **December 24 2009** of a Trust Deed between the Government of Trinidad and Tobago as issuer and RBTT Trust Limited as trustee for the issue; and

Fourthly, the appointment of the Central Bank of Trinidad and Tobago as the Paying Agent through the execution on **December 20 2009** of a *paying agency agreement* between the Republic of Trinidad and Tobago and the Central Bank of Trinidad and Tobago and in pursuance of that agreement, the Central Bank made on **January 4 2010** the first payments of **\$20.34 million** to CLICO and Republic Bank Limited.

Mr. Chairman, CLICO in collaboration with Caroni and the Trustees of the Old Scheme and New Plan are in the process of sending out individual annuity certificates, setting out the benefits being purchased for former daily-paid employees. This exercise should be completed shortly bringing to fruition a commitment made by this Government to ensure that your lives would be secure subsequent to the closure of Caroni in August 2003; but before I deliver to some of you your own annuity certificates I would like to share with you some

information on the delivery of **two (2)** other important commitments: residential service lots and two acre-sized agricultural plots.

Mr. Chairman, we are ensuring that the former employees who did not own houses at the time of VSEP now would have access to residential service lots to build their own homes. In this way those former employees, now *appropriately trained* and with *good value jobs* will be able to live in a more secure, comfortable and modernised environment. To date, Caroni had made **2,042 offers to lease residential service lots** to its former employees, Caroni and its major stakeholders, including the Chief State Solicitor, the Director of Surveys and the Regional Corporations are expending substantial effort to ensure that the legal infrastructure is in place to allow Caroni through its private attorneys to execute those leases for those former employees who had accepted the offers. We have noted that several eligible former employees have not accepted the offer and I wish to point out that Caroni is now taking steps to advise those individuals that the offers are being revoked in the context of their failure to meet the timeline established in the offers.

Mr. Chairman, Caroni is making the offers in the context of the *regulatory completion* of the estates and in the first phase it made **451** offers and in the second phase **1,591** offers. By the end of **March 2010**

Caroni will make a further **930** offers, bringing total offers to **2,972**. You do recall that Caroni advised by Ernst & Young had determined in **2006** that **5,042** former members would be eligible for the residential service lots. With application closing on **December 31 2006**, the eligible base is now **7,514** and the completion of the offer process will take place in **September 2011**. While former employees are being requested to pay **\$25,000 – \$30,000** for these residential lots, it should be noted, the infrastructural costs have been substantial, averaging **\$145,000** per residential service lot.

Mr. Chairman, the Estate Management and Business Development Company Limited, with a mandate from the Government is constructing an additional **9** estates which together with the original **29** would generate **17,951** residential service lots. It is the responsibility of the Housing Development Corporation to deliver those residual **10,300** service lots to the national community at similar prices to those which are being paid by the former Caroni employees. Those heavily subsidised prices, over \$100,000.00, range between **\$20,000 – \$40,000** depending on the location of the community. Over the course of the next two years both Caroni and the HDC would ensure that the **38** residential estates contribute significantly to a changing and modernised

landscape in central and south Trinidad. The programme of making available these residential lots has come at a cost of **\$600.0 million**.

Mr. Chairman, the delivery of two-acre sized agricultural plots is following a similar pattern as that of the delivery of residential service lots; but that programme is substantially more advanced and is being spearheaded by the Minister of Agriculture, Lands and Marine Resources who is quickly putting in the hands of beneficiaries the executed leases which now total **1,329**. The eligible base approximates **7,246** former employees whose plots have been determined through a random draw process; but I need to remind you that all former employees **now** either have licences or *probationary tenancy agreements* which permit you, not only with the right to enter and to cultivate the lands but also to access agricultural incentives offered by the Ministry of Agriculture, Lands and Marine Resources as well as loans offered by the Agricultural Development Bank. I do hope that you take advantage of this opportunity and occupy the more than 12,000 acres for which an offer of lease is being made to you at a price of **\$200** per annum per two acre-sized plots. The Ministry of Agriculture, Lands and Marine Resources is taking steps to complete the execution of the leases which would reach **3,628** and which would bring to an end the role of the Ministry of Agriculture Land and Marine Resources in this process. The delivery of standard agricultural leases to the remaining

3,618 former employees would then be accomplished through different arrangements. The Government had agreed that the issuances of standard agricultural leases should be expedited. The preparation of standard agricultural leases through the state sector is a time-consuming exercise. The Estate Management and Business Development Company Limited (EMBD) is now mandated to delivery those final **3,618** leases through the use of private attorneys. In order to implement this decision, the agricultural sites had been transferred by way of *Head Leases* to the EMBD, which company would use its own private attorneys to issue the standard agricultural leases. The EMBD has now been provided with *Head Leases* for **seven (7)** estates which leases would be registered shortly. Caroni and the EMBD were now collaborating on a programme of action for the offer and final execution of the remaining **3,618** leases. The cost of preparing those estates was approximately **\$600.0 million**.

Mr. Chairman, the cost of the restructuring of Caroni has been substantial. The VSEP programme and the exit of the farmers from sugarcane cultivation have resulted in an expenditure of **\$2.755 billion**. The additional cost relating *inter alia* to creditors and loan repayments amount to a further **\$3.382 billion** bringing the total cost for closing Caroni to **\$6.138 billion**. This represents:

- **4.24 percent** of the **2010** gross domestic product of **\$144.5 billion**;
- **32.7 percent** of the resources in the Heritage and Stabilisation Fund; and
- **75.8 percent** of the expenditure of **\$8.05 billion** on all social programmes and initiatives for **FY 2010** excluding the gasoline subsidy;

Mr. Chairman, by any standards, the restructuring costs has been significant but necessary as the Government embarked on a programme to change and to improve the lives of so many of our citizens associated with Caroni. At the turn of the millennium there was little hope for social and economic empowerment in these communities. We needed to change the institutions, the social relations and the social and economic landscape. We needed to put such changes on a sustainable and secure basis. Yet, we are all aware of our fears. We can never be certain about the future; what former US Secretary of Defence, Donald Rumsfield, refers to as the *unknown unknowns*. It is for that reason that our training programmes as well as our thrust to ensure that you reside in modern housing and have access to two acre-sized agricultural plots would create in these communities the flexibility and adaptability to allow you to react promptly to the changing economic and social environment.

Mr. Chairman, we have placed you at the centre of our economic and social programmes. We are conscience of the need for improving your welfare. We have thought of your future. We have now provided the opportunities for self realisation and self fulfilment. We are on the right track and we are doing what is right.

I thank you and permit me now to deliver some of your annuity certificates. May God bless you all.