



Employee Benefit Asset Write-Down – Frequently Asked Questions

Q1. Did the Credit Union lose \$7.4 million?

Answer:

No.

This was an accounting adjustment, not a cash loss. The \$7.4 million represented a surplus recorded as an asset on the balance sheet, not cash available to the Credit Union. Members' deposits and shares were never at risk.

Q2. Why was the asset reduced from \$7.4 million to \$66,000?

Answer:

The pension plan is managed by a trustees which invests the contributions paid in a range of financial instruments. The trustees administers the fund and is responsible for paying retired employees their monthly pensions. As a result, any surplus arising in the plan is recorded in the trustee's company's financial statements, not in AMGECU.

Since AMGECU does not have access to the underlying assets.

The \$7.4M adjustment does not represent a loss. Rather, it reflects the removal of the surplus previously recognized on AMGECU's balance sheet, in line with IAS 19's asset ceiling requirements.

Q3. Was this a cash flow issue?

Answer:

No.

There was no cash outlay or reduction in reserves. The adjustment was purely a non-cash accounting entry.

Q4. How does this affect the Credit Union's financial results?

Answer:

The adjustment:

- Reduced non-current assets on the Balance Sheet.
- Lowered Retained Earnings/Undivided Surplus, which impacts dividend payments.

It did not affect the operating surplus or day-to-day financial strength of the Credit Union.

Q5. How will this appear in the financial statements/Impact?

Answer:

Balance Sheet:

- Employee Benefit Assets reduced under Non-Current Assets.
- Members' Equity: Retained Earnings/Undivided Surplus reduced.

The adjustment was prepared and reviewed by actuaries and audited externally for accuracy and transparency.

Q6. What does this mean for employees and retirees?

Answer:

No impact on pensions.

- Retirees continue to receive monthly payments from the insurance company.
- Current employees remain entitled to their pension benefits.

The adjustment of the surplus affects the Credit Unions financial reporting and not the benefits themselves.

Q7. Why was this adjustment necessary?

Answer:

It was required to comply with international accounting standards and updated actuarial assessments. Financial reporting must reflect only the usable portion of pension surplus that the Credit Union can legally recognize.

Q8. Were previous financial statements incorrect?

Answer:

No. They were prepared using the best information available at the time. As accounting standards and actuarial assumptions evolve, adjustments are sometimes required to remain compliant.

Q9. What is being done to prevent similar issues in the future?

Answer:

The Board of Directors does not expect a similar issue to occur in the future.

Nonetheless the Directors will ensure:

- The implementation of the strategic plan, including increasing the core business of lending.
- Astute management of expenditure
- Ensuring ongoing audit and financial reporting reviews are carried out.

These measures help ensure that financial reporting remains accurate and transparent and ensure profitability.

Q10. What does this mean for members?

Answer:

Dividends for 2025 will be lower than in 2024 due to the reduction in retained earnings.

The Board has a plan to rebuild retained earnings in 2026 and beyond through revenue growth and expense management.

Member deposits remain safe, and the Credit Union continues to operate from a strong financial position.

Q11. What steps has the Board taken?

Answer:

The Board has:

- Reviewed and confirmed this is a one-time adjustment.
- Ensured accurate financial reporting.
- Implemented strategies to grow lending, manage costs, and strengthen retained earnings.
- Committed to ongoing transparency and governance.

Q12: How is it possible that an asset can be written down from \$7.4M to \$66K without a cash loss?

Answer:

The \$7.4M figure represented the surplus recorded as a defined benefit asset on the balance sheet, rather than the cash value of the pension fund itself. Under IAS 19, when the fair value of plan assets exceeds the present value of the defined benefit obligation (DBO), a surplus exists and the unrecognised surplus due to the asset ceiling is recognised as an asset by the sponsoring entity.

The write-down eliminated the surplus previously recognized as an asset on AMGECU's balance sheet. The accounting asset of \$7.4M was derecognised because the surplus does not represent an economic resource available to the Credit Union, in line with IAS 19's asset ceiling requirements. The remaining \$66K reflects the present value of the economic benefits available to AMGECU, as determined by the actuaries, representing the portion of the surplus that can be realised under the applicable plan terms and statutory framework.

Q13: What is the "Spin" on the \$66,000?

Answer:

The \$66,000 represents the present value of the economic benefits available to AMGECU of the surplus as reported by the Actuaries.

Q14: Are we now free of pension obligations?

Answer:

No. AMGECU has a Defined Benefit Plan and we still have a moral and legal obligation to provide competitive retirement benefits to employees.

Q15: What exactly happened to the pension plan?

Answer:

Historically, the Credit Union sponsored a Defined Benefit Pension Plan for its employees. In a Defined Benefit plan, the employer promises to pay employees a specific monthly amount for life after they retire. The Credit Union is responsible for ensuring there is enough money in the fund to cover those future payments. The write down does not have an impact on the pension plan.

Q16: What does this mean for the retirees and current employees?

Answer:

Their pensions are secure. This transaction was done to comply with international accounting standards. It does not affect retired or current employees in any way.

For retirees: They will continue to receive their monthly pension payment from the insurance company, not the Credit Union.

For current employees: Their pension is secured. They will receive pension payment upon retirement.

Q17. Does this affect employee pension benefits?

Answer:

No.

The adjustment does not reduce the benefits owed to employees or retirees under the pension plan.

Employee pensions are determined by the terms of the pension plan and its funding, not by how the Credit Union records the pension in its financial statements.

Q18. Was the issue identified by auditors or management?

Answer:

The adjustment was identified during the financial reporting and review process by management, which may involve:

- Updated actuarial reports
- Review by external auditors
- Compliance with current accounting standards

This process ensures that the Credit Union's financial statements accurately reflect its financial position.

Q19. Should members be concerned about the stability of the Credit Union?

Answer:

No. The Board and management continue to monitor the Credit Union's financial health closely.

This accounting adjustment does not affect member deposits or the safety of member funds, and the Credit Union continues to operate on a sound financial basis.

Q20. Does the credit union now have a pension deficit? Is the pension plan underfunded?

Answer:

No. However, AMGECU is expected to contribute 28K into the pension plan in 2026.

Q21. What role did the auditors play? Did external auditors review and agree with the adjustment?

Answer:

Yes. The Auditors reviewed the Actuaries report and confirmed the adjustments.

Q22. What governance or oversight issues are raised? Did governance failures contribute to the misstatement?

Answer:

No.

The employee benefit assets write down was not a governance or oversight issue. It was caused by an amendment to the international accounting standards covering pension plan benefits.

Q23. Could this indicate fraud or mismanagement? Is there any indication the prior figure was intentionally overstated?

Answer:

No.

This is not an indication of fraud or mismanagement. The write-down was confirmed by independent actuarial valuations.

Q24. What disclosure is required? What must be disclosed in the financial statements?

Answer:

Required disclosures are included in note 11 & 33 of the 2025 audited Financial Statement

and includes:

- Nature of the adjustment
- Actuarial assumptions
- Pension plan funding status
- Sensitivity analysis

Q25. What corrective actions are needed?

Answer:

No correction action is required other than mentioned under question 4.

Q26. Are other Credit Unions, Financial institutions or Businesses affected?

Answer:

Yes.

All organisations with a pension plan were affected. Similar impacts have been seen across the financial sectors and other business where international accounting standards apply.

Q27. Where can members get more information?

Answer:

Members may:

- Review the audited financial statements.
- Raise questions at the Annual General Meeting.
- Contact the following persons at Credit Union directly for clarification:

Name	Contact Numbers
Denise Douglas	251-4192
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