

## FINANCIAL SERVICES COMMISSION

### Private Pension Industry Quarterly Statistics

March 2014

#### Overview

As at March 31, 2014, there were eight hundred and six (806) pension plans<sup>1</sup> covering 8.90% percent of the employed labour force, with assets totaling \$317.15 billion representing a 3.33 percent increase over the previous quarter (See Table 1). Plan membership increased by approximately 3 percent over the previous quarter.

**Table 1 : Key Statistics**

	March 2014	December 2013	September 2013
Number of Plans	806	806	804
Asset Values (\$'000)	317,153,087	306,931,270	302,941,374
Total Membership	101,066	98,399	97,244

*Note: December 2013 has been re-stated*

#### Investment Mix

Direct holdings of securities of governments comprised 42.42 percent of total investments as at March 31, 2014; this represented a 2.32 percent increase in the total quantity held. Investment arrangements represented approximately 30 percent of total investments as shown in Table 2.1. Investment arrangements, which include pooled funds and deposit administration contracts, are significantly invested in government securities. This indirect investment in government securities accounts for approximately 59 percent of these investment arrangements as at March 31, 2014, dwarfing investments in equities, which represent 20 percent of the total assets of these investment arrangements.

During the quarter, investments in repurchase agreements increased by 11.41 percent to \$25.36 billion after three quarters of marginal growth. Growth in promissory notes during this quarter was negligible compared with the significant decline in value for the previous quarter. The holdings of bonds and debentures within the portfolio reversed the downward trend which began during 2013; increasing by 8.54 percent to \$3.41 billion as at March 31, 2014.

Despite the anaemic performance of the stocks listed on the Jamaica Stock Exchange during the review period, there was an aggregate 1.23 percent increase in the value of the direct holdings of stocks and shares within the investment portfolio of pension plans. The value of this asset class stood at \$30.57 billion, representing approximately 10 percent of total invested assets.

During the quarter there was a considerable fall of 11.35 percent in the total monies on deposit for the industry, reducing the amount of liquid funds available to pension plans.

<sup>1</sup> This number includes pension plans which are active, terminating and those that are inactive.

**Table 2.1: Aggregate Investment Mix**

Types of Investment	Amount Invested \$'000	% of Total Investments	Amount Invested \$'000	% of Total Investments	Amount Invested \$'000	% of Total Investments
	Mar-14		Dec-13		Sep-13	
<b>Deposits</b>	3,343,207.59	1.06%	3,771,099.06	1.24%	2,730,644.66	0.91%
<b>Commercial Paper</b>	7,661.00	0.00%	289,471.00	0.10%	7,661.00	0.00%
<b>Securities of Governments</b>	133,192,089.33	42.42%	130,172,417.81	42.86%	128,121,512.42	42.60%
<b>Repurchase Agreements</b>	25,358,002.85	8.08%	22,761,793.46	7.49%	22,259,965.59	7.40%
<b>Bonds and Debentures</b>	3,409,628.87	1.09%	3,141,324.22	1.03%	3,256,015.02	1.08%
<b>Mortgage Loans</b>	239,206.03	0.08%	242,787.24	0.08%	211,234.96	0.07%
<b>Other Loans</b>	1,853,766.93	0.59%	1,872,895.79	0.62%	1,740,905.79	0.58%
<b>Promissory Notes</b>	1,396,594.10	0.44%	1,401,401.48	0.46%	3,153,987.00	1.05%
<b>Leases</b>	1,809,193.47	0.58%	1,799,478.01	0.59%	1,989,064.08	0.66%
<b>Stocks and Shares</b>	30,570,268.55	9.74%	30,199,260.99	9.94%	30,712,027.86	10.21%
<b>Real Estate</b>	18,460,070.14	5.88%	18,199,907.47	5.99%	18,211,400.71	6.06%
<b>Investment Arrangements</b>	93,291,633.68	29.71%	89,311,176.24	29.40%	86,523,148.76	28.77%
<b>Derivatives</b>	0.00	0.00%	0.00	0.00%	0.00	0.00%
<b>Other Investments</b>	1,077,791.16	0.34%	577,438.88	0.19%	1,802,031.00	0.60%
<b>Total Investments</b>	<b>314,009,113.71</b>	<b>100.00%</b>	<b>303,740,451.67</b>	<b>100.00%</b>	<b>300,719,598.86</b>	<b>100.00%</b>
<b>Other Net Assets</b>	3,143,973.75		3,190,818.39		2,221,765.59	
<b>Total Assets</b>	<b>317,153,087.46</b>		<b>306,931,270.06</b>		<b>302,941,364.45</b>	

*Note: December 2013 has been re-stated.*

*Investment Arrangements describe investments in Deposit Administration Contracts and Pooled Funds*

During the quarter, total reported foreign securities holdings in the industry rose by 4.01 percent to \$19.22 billion. A corresponding increase in the aggregate foreign securities as a percent of total invested assets was recorded during the quarter (See Table 2.2). The aggregate foreign securities as a percent of total invested assets stood at 6.12 percent as at March 31, 2014.

**Table 2.2: Aggregate Foreign Investment Mix**

Types of Investment	Amount Invested \$'000	FX Invested \$'000	% of Invested Amount	Amount Invested \$'000	FX Invested \$'000	% of Invested Amount
	Mar-14			Dec-13		
Deposits	3,343,207.59	963,617.67	28.82%	3,771,099.06	1,037,578.13	27.51%
Commercial Paper	7,661.00	0.00	0.00%	289,471.00	0.00	0.00%
Securities of Governments	133,192,089.33	6,676,088.39	5.01%	130,172,417.81	7,080,136.16	5.44%
Repurchase Agreements	25,358,002.85	1,723,037.20	6.79%	22,761,793.46	1,430,972.29	6.29%
Bonds and Debentures	3,409,628.87	53,626.95	1.57%	3,141,324.22	54,360.82	1.73%
Mortgage Loans	239,206.03	7,696.01	3.22%	242,787.24	9,700.50	4.00%
Other Loans	1,853,766.93	4,901.11	0.26%	1,872,895.79	22,490.24	1.20%
Promissory Notes	1,396,594.10	1,316.85	0.09%	1,401,401.48	4,477.72	0.32%
Leases	1,809,193.47	0.00	0.00%	1,799,478.01	0.00	0.00%
Stocks and Shares	30,570,268.55	64,565.96	0.21%	30,199,260.99	52,161.01	0.17%
Real Estate	18,460,070.14	0.00	0.00%	18,199,907.47	0.00	0.00%
Investment Arrangements	93,291,633.68	9,701,742.15	10.40%	89,311,176.24	8,775,197.49	9.83%
Derivatives	0.00	0.00	0.00%	0.00	0.00	0.00%
Other Investments	1,077,791.16	24,014.55	2.23%	577,438.88	12,116.43	2.10%
<b>Total Investments</b>	<b>314,009,113.71</b>	<b>19,220,606.83</b>	<b>6.12%</b>	<b>303,740,451.67</b>	<b>18,479,190.78</b>	<b>6.08%</b>

*Note: December 2013 has been re-stated.*

*Investment Arrangements describe investments in Deposit Administration Contracts and Pooled Funds*

### Active Pension Plans

The number active pension plans accounted for 54.09 percent of the total private pensions industry. As at March 31, 2014 there were four hundred and thirty-six (436) active plans, reflecting a decrease of four when compared with the previous quarter (See Table 3). Despite this decrease in active pension plans, there was a two percent increase in the active membership when compared to the previous quarter.

**Table 3: Membership**

	March 2014	December 2013	September 2013
Number of Active Plans	436	440	444
Active Membership	97,374	95,311	94,475

Three hundred and twenty-seven (327) of the 436 active plans are defined contribution (“DC”) plans. Despite the greater number and larger membership pool of DC plans reported, defined benefit plans accounted for the majority of the pension industry assets (See Table 4).

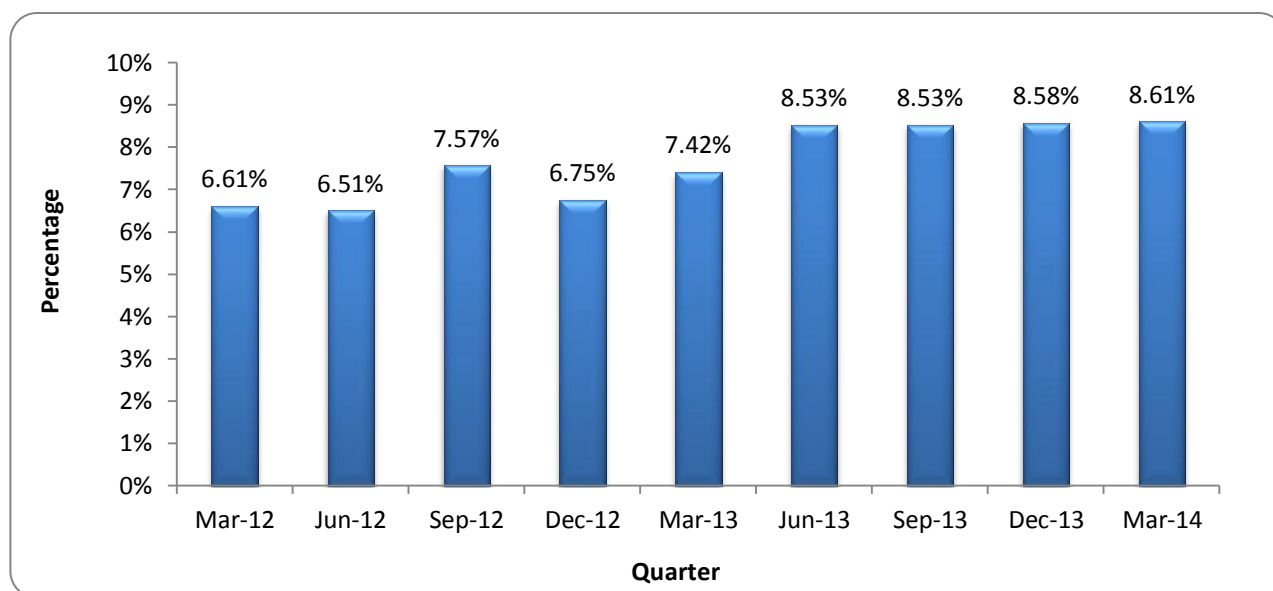
**Table 4: Active Pension Plans by Type**

	March 2014	December 2013	September 2013
<b>Number of Plans</b>			
Defined Benefit	109	109	111
Defined Contribution	327	331	333
<b>Total Active Plans</b>	<b>436</b>	<b>440</b>	<b>444</b>
<b>Membership</b>			
Defined Benefit	25,796	27,159	27,695
Defined Contribution	71,578	68,152	66,780
<b>Total Membership</b>	<b>97,374</b>	<b>95,311</b>	<b>94,475</b>
<b>Assets Values</b>			
Defined Benefit (\$'000)	199,047,229	192,995,377	198,226,101
Defined Contribution (\$'000)	103,897,875	96,681,020	92,982,132
<b>Total Asset Values (\$'000)</b>	<b>302,945,104</b>	<b>289,676,397</b>	<b>291,208,233</b>

Membership in active pension plans as at March 31, 2014 covered approximately 8.61 percent of the Jamaican employed labour force<sup>2</sup> remaining stable when compared to the December quarter (See chart 1). This is as a result of the marginal increase of membership in active pension plans and a corresponding marginal growth in the employed labour force.

<sup>2</sup> The Jamaican employed labour force as at January 31, 2014 was 1,130,500 according to the Statistical Institute of Jamaica (statinja.gov.jm).

**Chart 1: Private Pension Coverage as a Percentage of the Employed Labour Force**



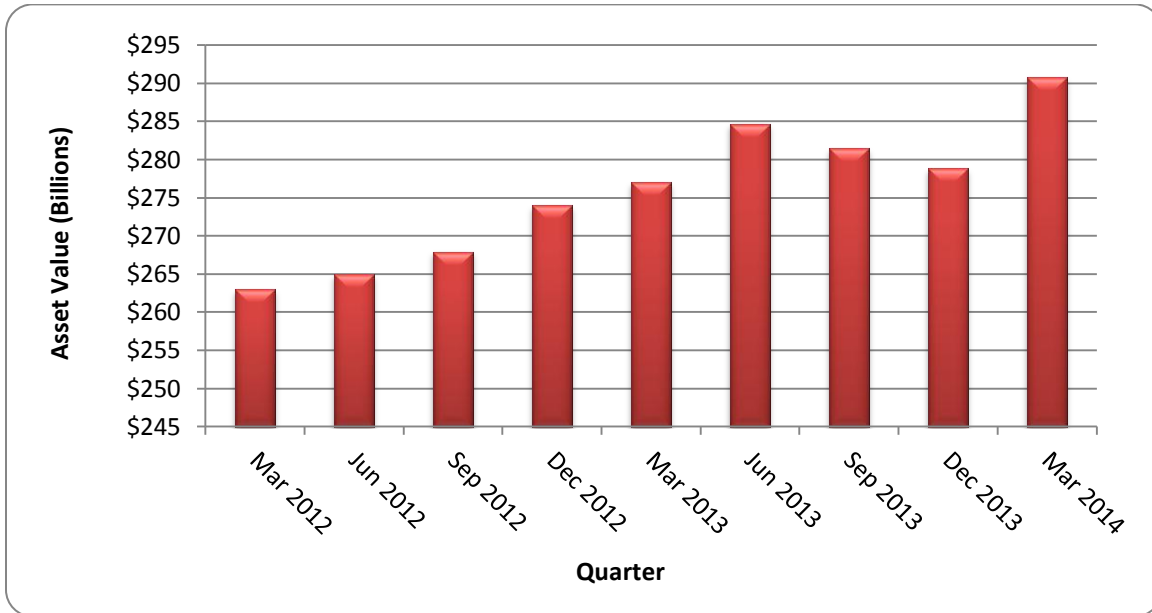
### **Active Plans by Type**

As illustrated in Table 5, superannuation funds accounted for approximately 97 percent of the number of active plans and 96 percent of total assets. During the review quarter the assets of active retirement schemes increased by 12.11 percent to \$12.11 billion, relative to an increase of four percent recorded by superannuation funds (See Charts 2 & 3). Whilst membership in active superannuation funds continue to decline, membership in retirement schemes increased by 10.44 percent during the quarter.

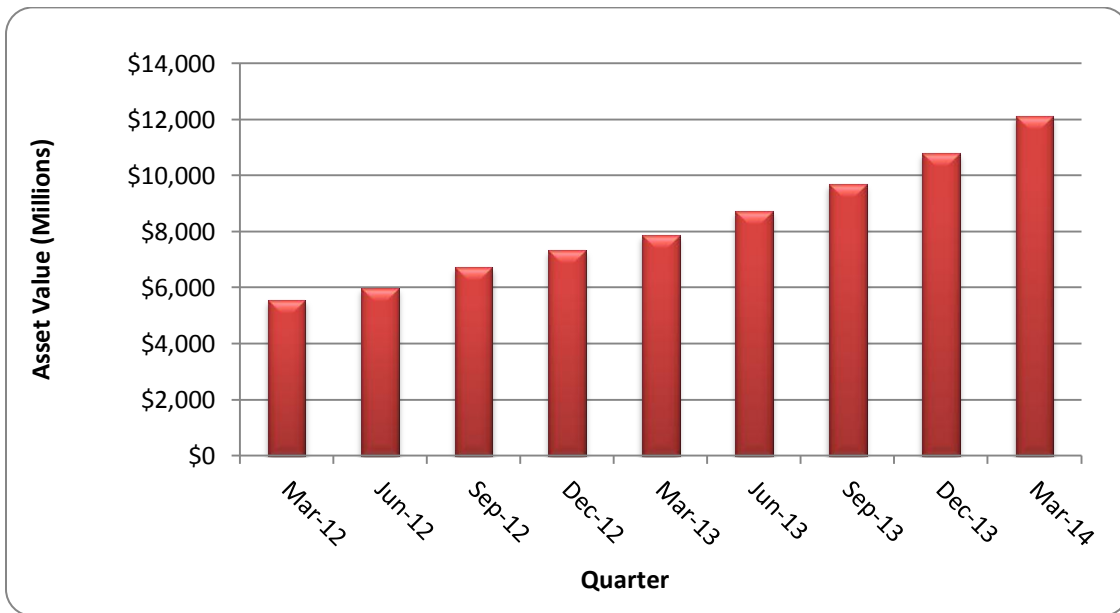
**Table 5: Active Plans by Type as at March 31, 2014**

	Number of Active Plans	Percentage of Plans	Number of Members	Percentage of Membership	Asset Value (\$'000)	Percentage of Asset Value
<b>Retirement Schemes</b>	13	2.98	31,250	32.09	12,110,272	4.00
<b>Superannuation Funds</b>	423	97.02	66,124	67.91	290,834,832	96.00
<b>TOTAL</b>	<b>436</b>	<b>100.00</b>	<b>97,374</b>	<b>100.00</b>	<b>302,945,104</b>	<b>100.00</b>

**Chart 2 – Asset Values for Active Superannuation Funds**



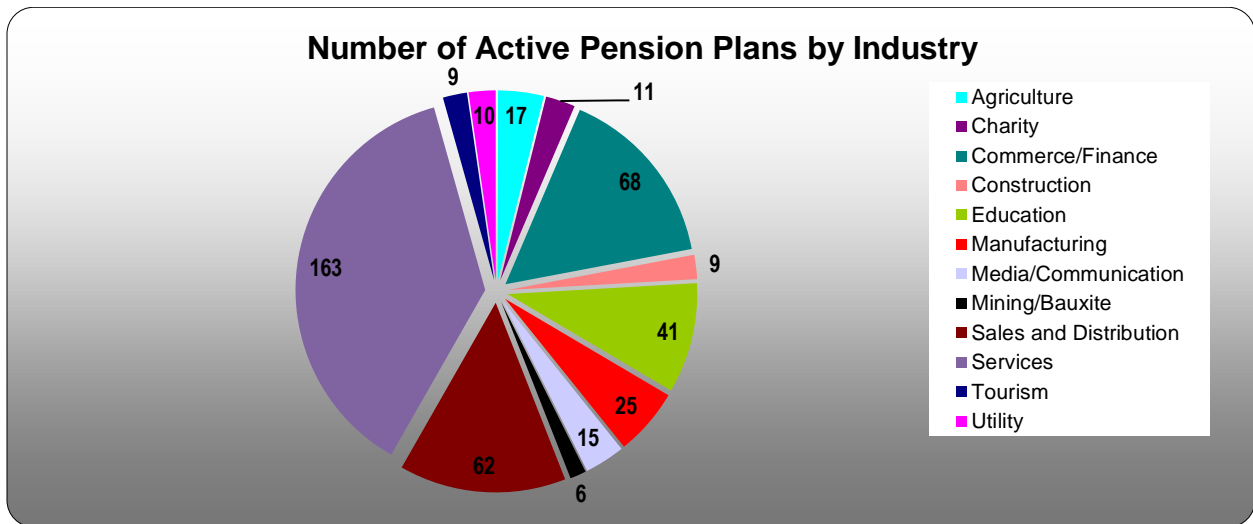
**Chart 3 – Asset Values for Active Retirement Schemes**



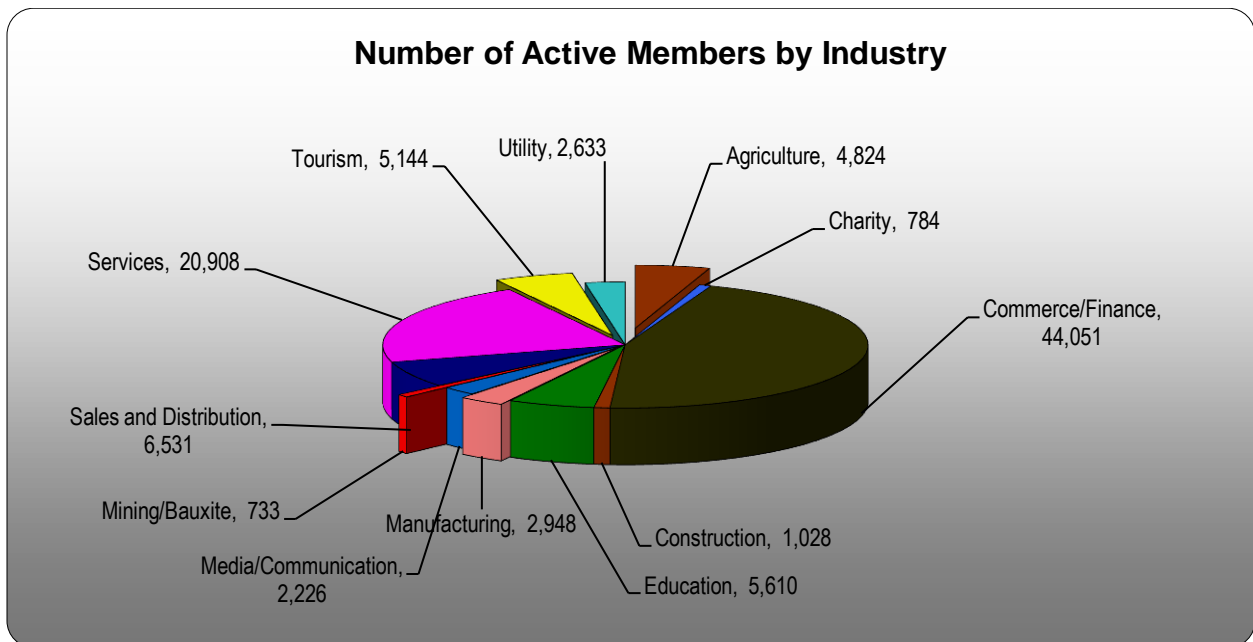
### Active Plans by Industry

The Commerce and Finance Industry accounted for 45.24 percent of active members and 40.95 percent of the pension industry assets at March 31, 2014, representing the largest share of active members and pension assets of active plans respectively. The industry segment with the second largest share of the market is the Services Industry with 21.47 percent of the active members and 16.70 percent of assets of active plans. Charts 4 - 6 illustrate the breakdown of the number of active plans, the membership and the asset values by industry as at March 31, 2014.

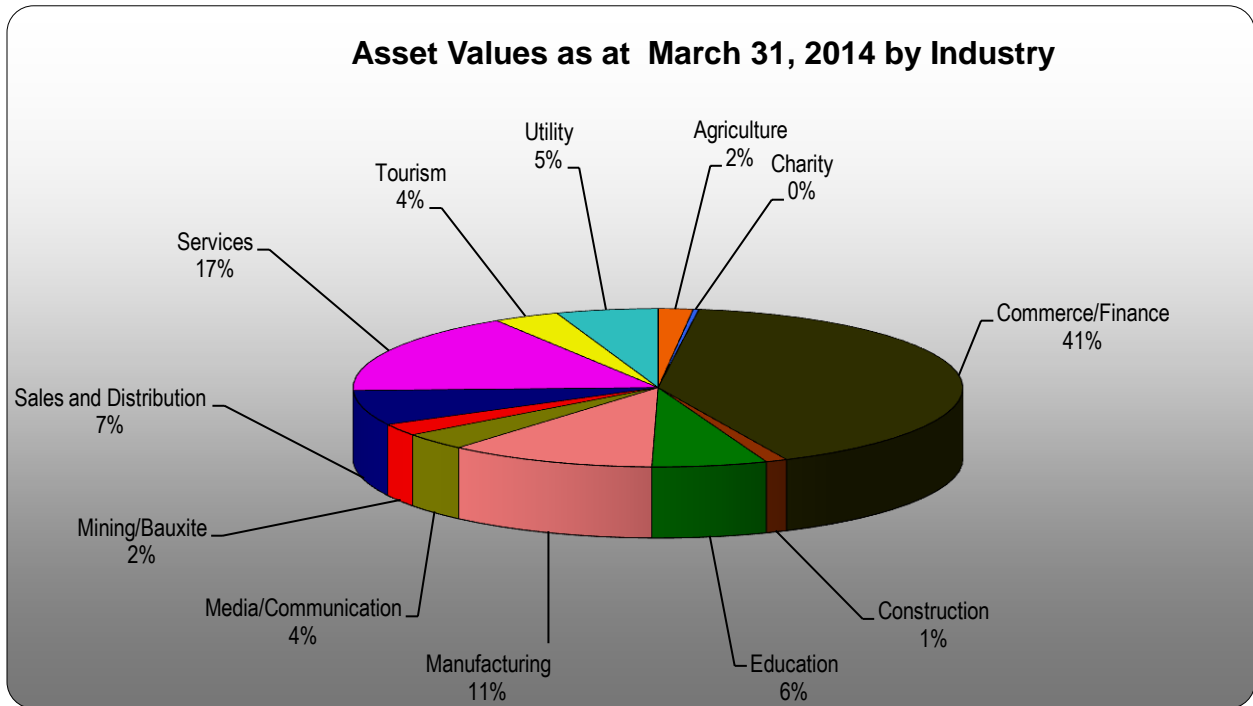
**Chart 4: Number of Active Plans by Industry**



**Chart 5: Number of Active Members by Industry**



[Chart 6: Asset Values by Industry](#)



### ***Solvency of Active Pension Plans***

Four hundred and sixteen (416) plans, representing approximately 95 percent of the 436 active plans have submitted solvency data; analysis of the data shows that as at March 31, 2014, approximately 92 percent of all active pension plans, for which data were submitted, were solvent. The data also indicated that, for all pension plans for which data were submitted, 92 percent of defined contribution pension plans were solvent compared to 90 percent of active defined benefit pension plans. In the case of active defined benefit pension plans the sponsors have an obligation to fund the shortfall given the nature of these plans.



## **Inactive Pension Plans**

There were no changes to the number of inactive plans during the quarter. See Table 6:

**Table 6: Inactive Pension Plans by Type**

	March 2014	December 2013	September 2013
<b>Number of Plans</b>			
Defined Benefit	4	4	4
Defined Contribution	19	19	17
<b>Total Inactive Plans</b>	<b>23</b>	<b>23</b>	<b>21</b>
<b>Membership</b>			
Defined Benefit	2,244	58	58
Defined Contribution	166	149	152
<b>Total Membership</b>	<b>2,410</b>	<b>207</b>	<b>210</b>
<b>Asset Values</b>			
Defined Benefit (\$'000)	803,438	768,995	754,323
Defined Contribution (\$'000)	185,203	193,686	206,725
<b>Total Asset Values (\$'000)</b>	<b>988,641</b>	<b>962,681</b>	<b>961,048</b>

## **Terminating Plans**

During the March quarter four plans were terminated; the corresponding asset values for these terminating plans stood at \$13.22 billion (See Table 7).

**Table 7: Terminating Pension Plans by Type**

	March 2014	December 2013	September 2013
<b>Number of Plans</b>			
Defined Benefit	82	82	80
Defined Contribution	265	261	259
<b>Total Terminating Plans</b>	<b>347</b>	<b>343</b>	<b>339</b>
<b>Membership</b>			
Defined Benefit	523	670	358
Defined Contribution	759	2,211	2,201
<b>Total Membership</b>	<b>1,282</b>	<b>2,881</b>	<b>2,559</b>
<b>Asset Values</b>			
Defined Benefit (\$'000)	8,639,617	11,568,734	4,162,678
Defined Contribution (\$'000)	4,579,725	4,723,457	6,609,415
<b>Total Asset Values (\$'000)</b>	<b>13,219,342</b>	<b>16,292,191</b>	<b>10,772,093</b>

## Investment Managers

There were no new investment managers participating in the private pensions industry as at March 31, 2014. Life insurance companies represent 11.11 percent of the total number of investment managers; however they continue to account for approximately 51 percent of total private pension assets. Life insurance companies and securities dealers (39.06 percent) combined, account for approximately 90 percent of the private pension industry assets. Credit unions and building societies with less than one percent accounted for the smallest market share of private pension assets (See Table 8).

**Table 8: Total Assets Under Management of Licensed Investment Managers**

<b>Investment Managers</b>	<b>Number of Entities Mar 2014</b>	<b>Asset Values Mar 2014 (\$'000)</b>	<b>Number of Entities Dec 2013</b>	<b>Asset Values Dec 2013 (\$'000)</b>	<b>Number of Entities Sep 2013</b>	<b>Asset Values Sep 2013 (\$'000)</b>
Insurance Companies	3	161,695,768	3	154,793,315	3	151,250,011
Securities	16	123,866,488	16	120,126,272	16	117,597,932
Credit Unions/ Building Societies	2	298,051	2	268,815	2	248,227
Other	6	31,292,780	6	31,742,868	6	33,845,204
<b>Total</b>	<b>27</b>	<b>317,153,087</b>	<b>27</b>	<b>306,931,270</b>	<b>27</b>	<b>302,941,374</b>

## Summary

The private pension industry continues to be stable in the face of continuing local and global economic challenges. During the review quarter, the number of active pension plans decreased by four when compared with the December 2013 quarter. However, this decline did not have a significant impact on membership as there was a marginal increase over the previous quarter. The number of Jamaicans participating in private pension arrangements have remained relatively stable as the Jamaican employed workforce continue to grow.

The total assets in the private pensions industry increased during the quarter despite the number of winding-ups of pension plans. Solvency levels of pension plans remained adequate.