

FINANCIAL SERVICES COMMISSION
Private Pension Industry Quarterly Statistics
March 2015

Overview

As at March 31, 2015, there were eight hundred and two (802) pension plans¹ with assets totaling \$349.56 billion that provide pension benefits to nine percent of the employed labour force. This represents a two percent increase over the previous quarter (See Table 1). Plan membership increased by approximately eight percent during the quarter.

[Table 1 : Key Statistics](#)

	March 2015	December 2014	September 2014
Number of Plans	802	802	806
Asset Values (\$'000)	349,558,197	341,446,108	331,564,608
Total Membership	110,041	102,112	102,105

Note: December 2014 has been re-stated

Investment Mix

Direct holdings of securities of governments comprised approximately 40 percent of total investments as at March 31, 2015, which indicates a marginal decline percentage-wise over the last quarter. There was however growth with respect to the total quantity of securities held quarter over quarter. 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 56 percent of these investment arrangements as at March 31, 2015, and represents a marginal decrease over the last quarter. The value of the equities within these investment arrangements marginally increased by four percent during the quarter to 22 percent of the total assets of these investment arrangements. As it relates to real estate, there was an increase of approximately ten percent which also accounted for nine percent of the value of these investment arrangements.

Investments in promissory notes increased by 13 percent during this quarter continuing the growth experienced in the previous quarters. The 22 percent increase last quarter was not maintained, as the asset class grew by a marginal 0.37 percent this quarter. Bonds and debentures within the portfolio experienced negative growth of approximately one percent, however, the portfolio of assets increased to \$6.27 billion as at March 31, 2015.

The value of the direct holdings of stocks and shares increased by approximately nine percent within the investment portfolio of pension plans, which more than doubled the growth rate experienced in the December quarter of 2014. The value of this asset class stood at \$34.48 billion, representing approximately ten percent of total invested assets.

¹ 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-15		Dec-14		Sep-14	
Deposits	3,620,568.21	1.04%	2,507,677.58	0.74%	2,876,056.77	0.88%
Commercial Paper	92,014.33	0.03%	31,688.35	0.01%	38,375.00	0.01%
Securities of Governments	137,776,575.55	39.70%	136,322,128.54	40.28%	137,561,699.58	42.18%
Repurchase Agreements	33,123,738.34	9.54%	33,003,169.78	9.75%	26,156,791.37	8.02%
Bonds and Debentures	6,267,703.00	1.81%	6,331,842.00	1.87%	4,797,875.37	1.47%
Mortgage Loans	251,098.00	0.07%	263,140.00	0.08%	225,935.04	0.07%
Other Loans	2,235,830.00	0.64%	2,303,053.00	0.68%	2,044,967.71	0.63%
Promissory Notes	2,736,793.48	0.79%	2,416,402.89	0.71%	1,909,238.00	0.59%
Leases	1,780,215.28	0.51%	1,800,287.15	0.53%	1,806,674.77	0.55%
Stocks and Shares	34,481,737.02	9.94%	31,639,383.63	9.35%	30,537,175.99	9.36%
Real Estate Investment Arrangements	20,094,908.45	5.79%	20,065,816.45	5.93%	19,535,009.57	5.99%
Derivatives	103,329,776.39	29.77%	100,573,509.41	29.72%	97,398,086.56	29.86%
Other Investments	0.00	0.00%	0.00	0.00%	0.00	0.00%
	1,269,764.23	0.37%	1,156,874.12	0.34%	1,247,809.00	0.38%
Total Investments	347,060,722.28	100.00%	338,414,972.90	100.00%	326,135,694.73	100.00%
Other Net Assets	2,497,475.54		3,031,135.85		5,428,913.34	
Total Assets	349,558,197.81		341,446,108.75		331,564,608.07	

Note: December 2014 has been re-stated.

Investment Arrangements describe Investments in Deposit Administration Contracts and Pooled Funds

During the quarter, investments in foreign securities holdings in the industry slowed in growth, representing approximately 60 percent decline in the growth rate when compared to the last quarter. However, the aggregate foreign securities stood at approximately \$30 billion and represented 8.60 percent of total invested assets during the quarter (See Table 2.2).

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-15			Dec-14		
Deposits	3,620,568.21	355,463.80	9.82%	2,507,677.58	48,302.50	1.93%
Commercial Paper	92,014.33	12,008.58	13.05%	31,688.35	11,724.69	37.00%
Securities of Governments	137,776,575.55	7,509,942.89	5.45%	136,322,128.54	7,772,428.65	5.70%
Repurchase Agreements	33,123,738.34	3,438,351.45	10.38%	33,003,169.78	3,450,443.96	10.45%
Bonds and Debentures	6,267,703.00	791,450.28	12.63%	6,331,842.00	1,024,299.43	16.18%
Mortgage Loans	251,098.00	4,065.69	1.62%	263,140.00	4,971.68	1.89%
Other Loans	2,235,830.00	500.12	0.02%	2,303,053.00	872.11	0.04%
Promissory Notes	2,736,793.48	16,250.92	0.59%	2,416,402.89	22,461.34	0.93%
Leases	1,780,215.28	2,014.39	0.11%	1,800,287.15	0.00	0.00%
Stocks and Shares	34,481,737.02	1,415,174.70	4.10%	31,639,383.63	1,315,998.06	4.16%
Real Estate	20,094,908.45	0.00	0.00%	20,065,816.45	0.00	0.00%
Investment Arrangements	103,329,776.39	16,287,992.45	15.76%	100,573,509.41	13,596,237.86	13.52%
Derivatives	0.00	0.00	0.00%	0.00	0.00	0.00%
Other Investments	1,269,764.23	18,155.65	1.43%	1,156,874.12	8,719.35	0.75%
Total Investments	347,060,722.28	29,851,370.92	8.60%	338,414,972.90	27,256,459.61	8.05%

Note: December 2014 has been re-stated.

Investment Arrangements describe Investments in Deposit Administration Contracts and Pooled Funds

Active Pension Plans

The number of active pension plans accounted for 52.74 percent of the total private pensions industry. As at March 31, 2015 there were four hundred and twenty-three (423) active plans; the main contributing factor of the reduction when compared to the last quarter is the termination of six pension plans. This however, did not have a negative impact on membership growth which has increased by eight percent during the quarter. The 24 percent membership growth experienced by retirement schemes was responsible for the increase in active membership in private pension arrangements in Jamaica.

Table 3: [Membership](#)

	March 2015	December 2014	September 2014
Number of Active Plans	423	429	432
Active Membership	102,222	94,645	94,683

Three hundred and thirteen (313) of the 423 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’s assets (See Table 4).

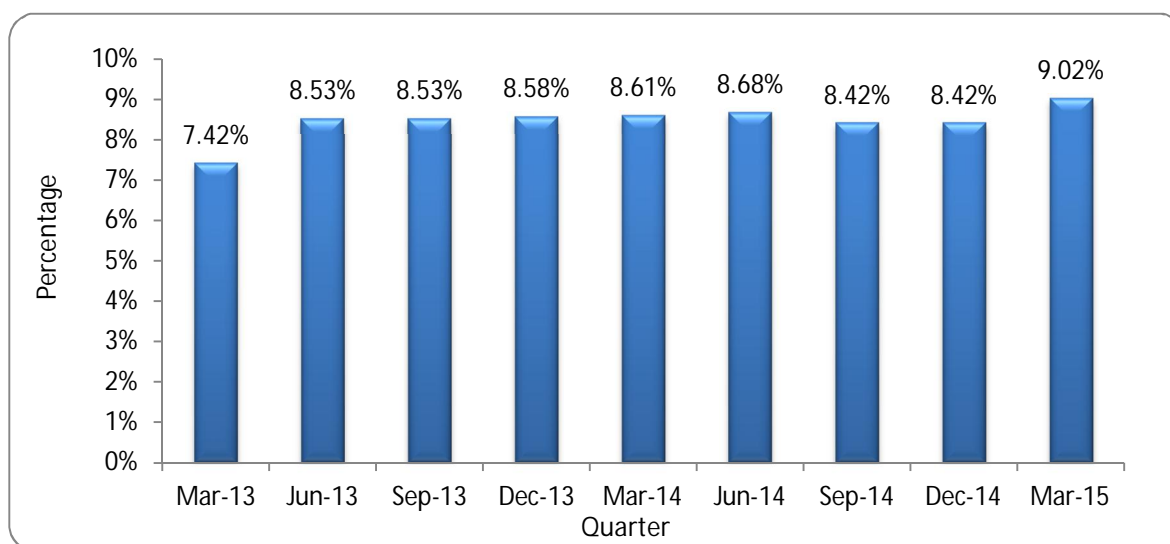
[Table 4: Active Pension Plans by Type](#)

	March 2015	December 2014	September 2014
Number of Plans			
Defined Benefit	110	110	108
Defined Contribution	313	319	324
Total Active Plans	423	429	432
Membership			
Defined Benefit	22,018	22,194	22,072
Defined Contribution	80,204	72,451	72,611
Total Membership	102,222	94,645	94,683
Assets Values			
Defined Benefit (\$'000)	222,571,482	213,851,116	203,442,041
Defined Contribution (\$'000)	113,854,315	114,978,691	113,485,576
Total Asset Values (\$'000)	336,425,797	328,829,807	316,927,617

Membership in active pension plans as at March 31, 2015 covered 9.02 percent of the Jamaican employed labour force² (See chart 1). This is as a result of the higher growth rate experienced in the membership in active pension plans when compared to the growth of the employed labour force.

[Chart 1: Private Pension Coverage as a Percentage of the Employed Labour Force](#)

² The Jamaican employed labour force as at January 31, 2015 was 1,132,700 according to the Statistical Institute of Jamaica (statinja.gov.jm).



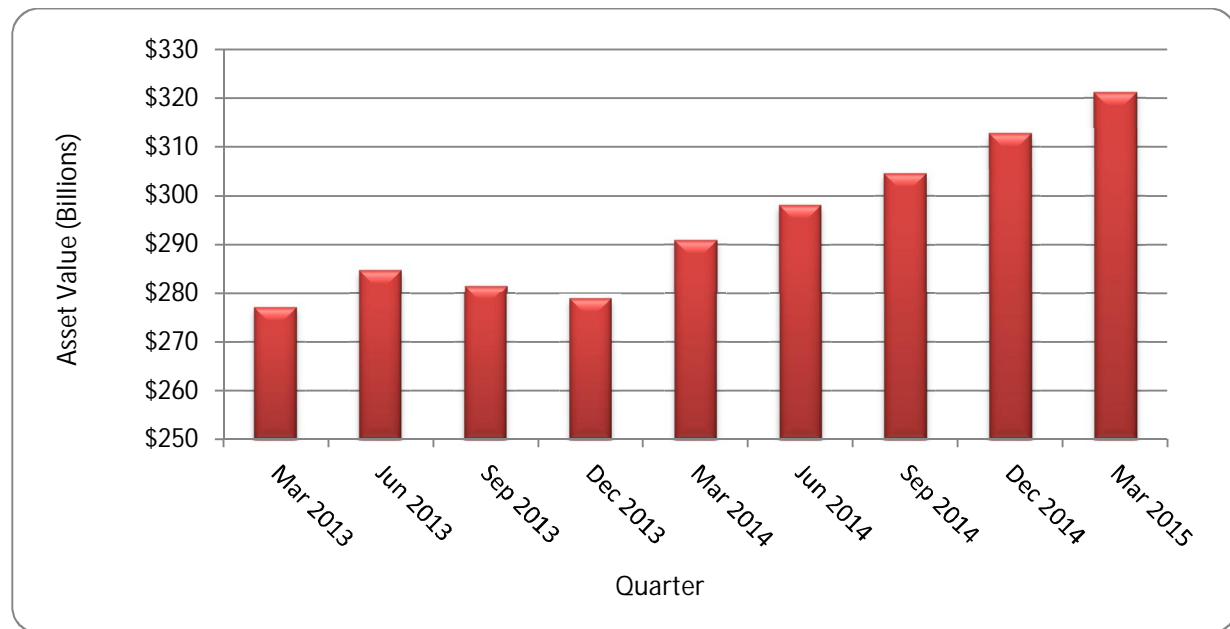
Active Plans by Type

As illustrated in Table 5, superannuation funds ("funds") accounted for approximately 97 percent of the number of active plans and 95 percent of total assets. During the review quarter the assets of active retirement schemes ("schemes") increased by 6.20 percent to \$15.19 billion, relative to an increase of two percent recorded by superannuation funds (See Charts 2 & 3).

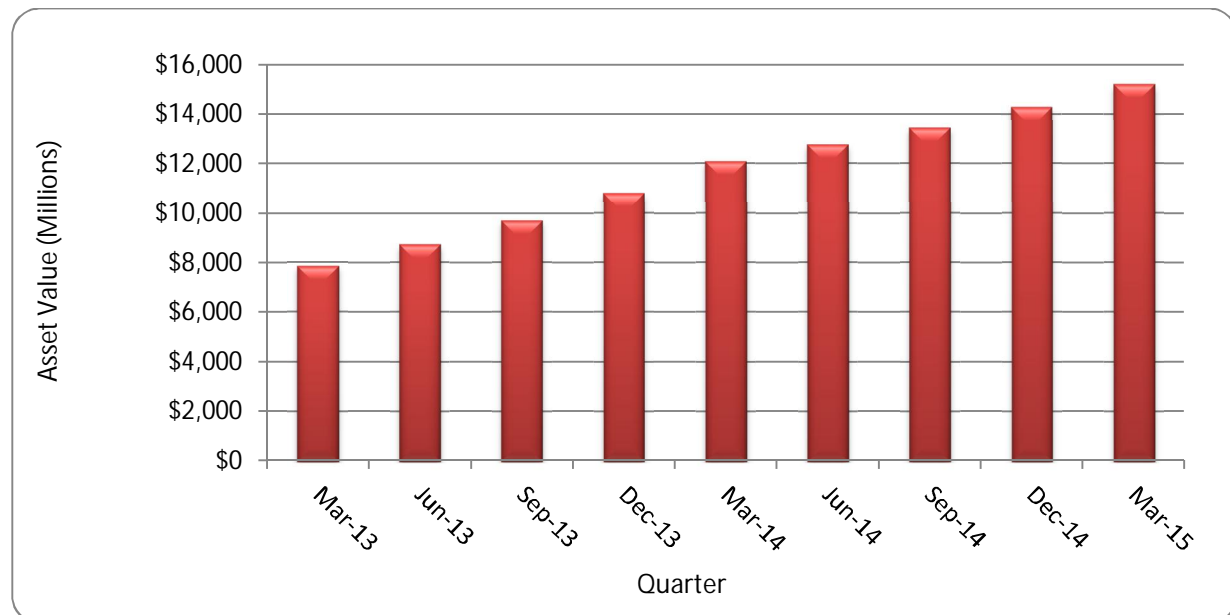
Table 5: Active Plans by Type as at March 31, 2015

	Number of Active Plans	Percentage of Plans	Number of Members	Percentage of Membership	Asset Value (\$'000)	Percentage of Asset Value
Retirement Schemes	13	3.07	40,023	39.15	15,193,916	4.52
Superannuation Funds	410	96.93	62,199	60.85	321,231,881	95.48
TOTAL	423	100.00	102,222	100.00	336,425,797	100.00

[Chart 2 – Asset Values for Active Superannuation Funds](#)



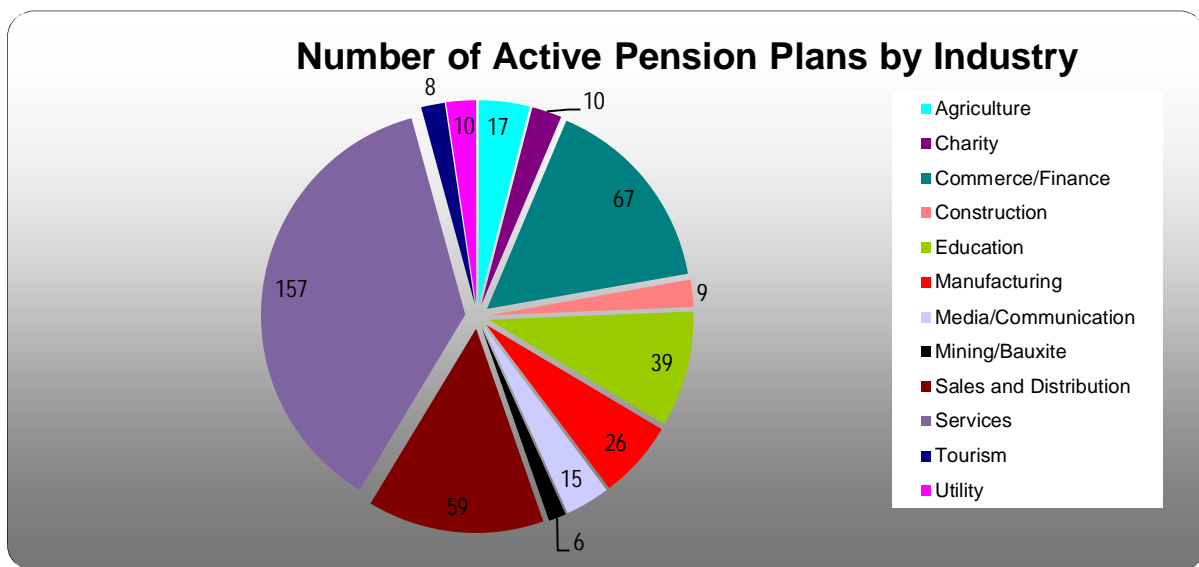
[Chart 3 – Asset Values for Active Retirement Schemes](#)



Active Plans by Industry

The Commerce and Finance Industry accounted for approximately 52 percent of active members representing an increase over the last quarter while there was a slight decrease in the percentage of pension assets for this industry, moving to 40.72 percent as at March 31, 2015. However the sector still accounted for the largest share of active members and pension assets of active plans. The industry segment with the second largest share of the market is the Services Industry with 20.38 percent of the active members and 16.74 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, 2015.

[Chart 4: Number of Active Plans by Industry](#)



[Chart 5: Number of Active Members by Industry](#)

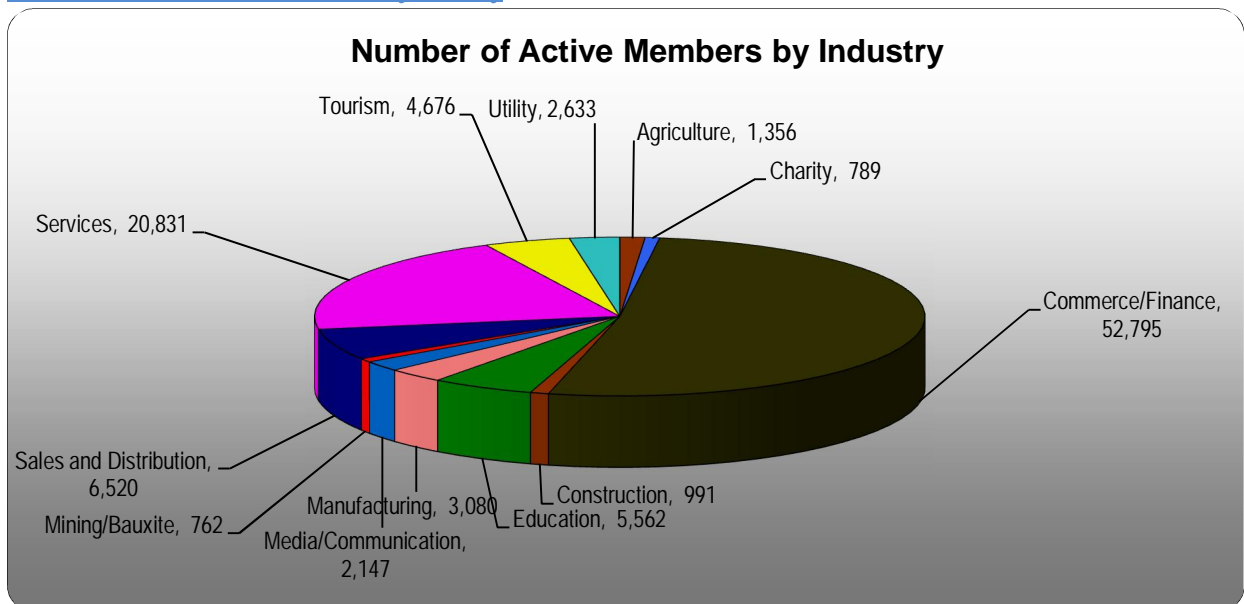
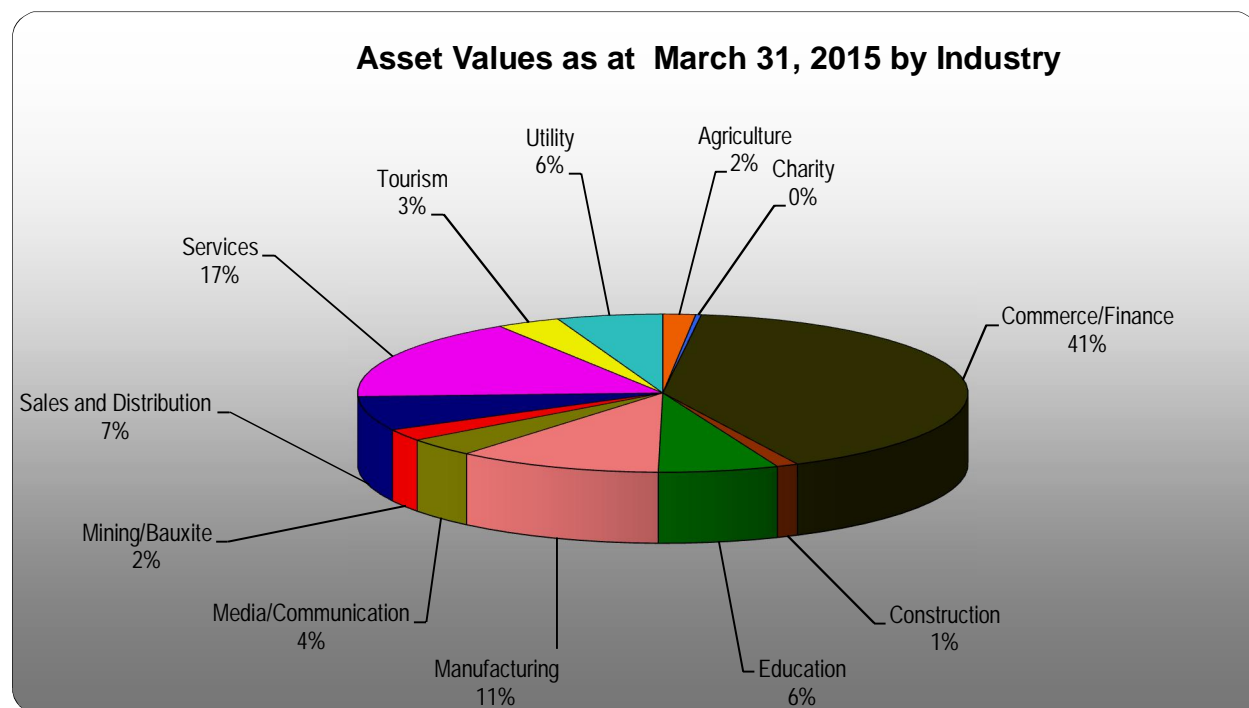


Chart 6: Asset Values by Industry



Solvency of Active Pension Plans

Four hundred and eleven (411) plans, representing approximately 97 percent of the 423 active plans have submitted solvency data. Analysis of the data shows that as at March 31, 2015, approximately 92 percent of all active pension plans, for which data were submitted, were solvent. In addition, for all pension plans for which data were submitted, 93 percent of defined contribution pension plans were solvent. For active defined benefit pension plans there was a one percentage point increase over the last quarter moving to 89 percent of plans being solvent. However, in the case of defined benefit pension plans the sponsors have an obligation to fund any shortfall given the design of the benefit structure of these plans.

Table 6: Solvency Levels of Active Plans as at March 31, 2015

	Number of plans	Solvency Level				% of plans which are solvent
		Less than 100%	Between 100% & 120%	Between 120% & 150%	Greater than 150%	
Defined Benefit	109	12	26	35	36	89
Defined Contribution	302	21	187	70	24	93
Total	411	33	213	105	60	92

Inactive Pension Plans

There were no major changes during the quarter in relation to pension plans with inactive statuses; as a result the number of inactive plans within the private pensions industry remained the same when compared to the previous quarter (See Table 7).

Table 7: Inactive Pension Plans by Type

	March 2015	December 2014	September 2014
Number of Plans			
Defined Benefit	5	5	5
Defined Contribution	15	15	16
Total Inactive Plans	20	20	21
Membership			
Defined Benefit	2,243	2,244	2,244
Defined Contribution	137	139	139
Total Membership	2,380	2,383	2,383
Asset Values			
Defined Benefit (\$'000)	346,434	337,154	338,827
Defined Contribution (\$'000)	153,386	153,012	153,289
Total Asset Values (\$'000)	499,820	490,166	492,116

Terminating Plans

During the March quarter, six plans were terminated. The asset values for these terminating plans stood at \$12.63 billion (See Table 8).

Table 8: Terminating Pension Plans by Type

	March 2015	December 2014	September 2014
Number of Plans			
Defined Benefit	81	80	81
Defined Contribution	278	273	272
Total Terminating Plans	359	353	353
Membership			
Defined Benefit	3,888	4,187	4,244
Defined Contribution	1,551	897	795
Total Membership	5,439	5,084	5,039
Asset Values			
Defined Benefit (\$'000)	8,155,523	8,231,074	8,486,679
Defined Contribution (\$'000)	4,477,058	3,895,061	5,658,196
Total Asset Values (\$'000)	12,632,581	12,126,135	14,144,875

Investment Managers

There were no new investment managers participating in the private pensions industry as at March 31, 2015. Of the four categories of investment managers, life insurance companies represent 11.54 percent of the total number of licensed investment managers and continue to account for approximately 51 percent of total private pension assets. The securities dealers' category, with the highest number of entities, along with life insurance companies account for 90 percent of the private pension industry assets. Credit unions and building societies with less than one percent of assets accounted for the smallest market share (See Table 9).

Table 9: Total Assets Under Management of Licensed Investment Managers

Investment Managers	Number of Entities Mar 2015	Asset Values Mar 2015 (\$'000)	Number of Entities Dec 2014	Asset Values Dec 2014 (\$'000)	Number of Entities Sep 2014	Asset Values Sep 2014 (\$'000)
Insurance Companies	3	178,604,480	3	173,853,287	3	169,238,804
Securities	16	136,597,548	16	133,646,089	16	129,371,848
Credit Unions/ Building Societies	2	248,678	2	238,315	2	213,927
Other	5	34,107,492	5	33,708,418	6	32,740,029
Total	26	349,558,198	26	341,446,109	27	331,564,608

Risk Outlook

The twelve-month period (April 2014 to March 2015) saw inflation at a 48-year low. In March 2015, the 12-month point-to-point inflation rate was 4.0 percent, with the monthly change in the Consumer Price Index ("CPI") totaling 0.5 percent; the first upward movement in the index in four months. During March 2015 the local currency appreciated slightly against the US dollar but the dollar depreciated by 4.74 percent for the period April 2014 to March 2015. The sharper than expected decline in inflation for the fiscal year was due, in part, to the fall in oil prices but, according to the Bank of Jamaica, also to the moderation in price increases that has resulted from fiscal consolidation and economic reforms. It is expected that the impact from these changes will help to moderate inflation impulses over the medium-term.

The private pension industry continues to be stable in the face of continuing local and global economic challenges with, approximately 40 percent of its aggregate assets directly invested in Government of Jamaica securities. This continues to represent the single most significant investment risk exposure for pension plans as interest rates remained relatively low.

Investment in foreign securities and foreign assets within the aggregate portfolio has increased by approximately 10 percent, one fifth of what the growth rate was as at December 31, 2014, to \$30 billion. As investment arrangements which account for 54.56 percent of the foreign currency stock continue to increase their holdings in foreign securities and assets at a significant pace the private pensions industry will be increasingly exposed to foreign currency risk in the short to medium term.

The local stock market, after an initial slump, has exhibited signs of recovery evidenced by three consecutive quarters of growth on the main index. Ten percent of the private pension assets are invested in equities and the

improved performance of the local stock market provides opportunities for pension plans which need to diversify their portfolios and reduce counter party and foreign exchange risk exposures.

Despite the reduction in the number of active pension plans, the number of Jamaicans participating in private pension arrangements increased during the last twelve months resulting in wider pension coverage as at March 2015 when compared with March 2014. Sponsoring employers have sighted economic factors as the main reasons for terminating plans. The risk of decreasing pension coverage is somewhat mitigated as some members of terminating plans generally enroll in and transfer their accrued benefits to retirement schemes. Retirement schemes however cater to persons in non-pensionable post as well as self-employed individuals, as such the viability of retirement schemes is heavily dependent on the levels of disposable incomes within the Jamaican economy.

As the FSC continues to monitor and supervise the conduct and governance practices of investment managers and administrators, the trustees and members of funds and schemes are encouraged to be vigilant where disclosure materials are concerned and to monitor investment activities to ensure that the assets are being prudently invested and in accordance with the Statement of Investment Policies and Principles.

Summary

The private pension industry continues to be stable in the face of continuing local and global economic challenges. During the review quarter, there were six terminations of pension plans, resulting in the decline of the total number of active pension plans when compared to the December 2014 quarter. This however did not have a negative impact on membership in active pension plans as the number of Jamaicans participating in private pension arrangements grew, reversing the trend for the previous quarter despite the fact that the Jamaican employed workforce also increased during the quarter.

Notwithstanding the challenges faced, the total assets in the private pensions industry increased during the quarter and the solvency levels of pension plans has remained stable.