

FINANCIAL SERVICES COMMISSION

Private Pension Industry Quarterly Statistics

December 2015

Overview

As at December 31, 2015, there were eight hundred and one (801) pension plans¹ covering approximately ten percent of the employed labour force, with assets totaling \$396.95 billion representing an eight percent increase over the previous quarter (See Table 1). Plan membership was unchanged for the quarter.

[Table 1 : Key Statistics](#)

	December 2015	September 2015	June 2015
Number of Plans	801	802	802
Asset Values (\$'000)	396,947,085	367,089,579	363,068,777
Total Membership	109,984	109,984	109,984

Note: September 2015 has been re-stated

Investment Mix

Direct holdings of securities of governments comprised approximately 34 percent of total investments as at December 31, 2015; this represented a third quarter of marginal reduction in the total quantity held, as shown in Table 2.

Investment arrangements represented approximately 33 percent of total investments. 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 December 31, 2015; a marginal decrease compared with the previous quarter. The value of the equities within these investment arrangements continue to increase, recording a four percent growth during the quarter and represents approximately 23 percent of the total assets of these investment arrangements. A combination of the performances of these asset classes resulted in a 14 percent appreciation of the values of investment arrangements.

There was significant quarterly growth in commercial paper which moved from \$71.93 million to \$211.05 million, a growth of nearly 200%. Bonds and debentures continue to grow with an increase over September 30, 2015 of 53 percent. Pension plans' participation in retail repo investments continue to decline as the percentage of invested assets stood at 6.42 percent compared with 8.49 percent as at the previous quarter. Retail repos contracted by 18 percent during the review quarter and stood at \$25.37 million.

The continued robust performance of the stocks listed on the Jamaica Stock Exchange ("JSE"), which experienced an appreciation of 56.44 percent for the calendar quarter, was partially attributable to the 42 percent increase in value

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

of the direct holdings of stocks and shares within the investment portfolio of pension plans when compared with the third quarter of 2015. The value of this asset class stood at \$58.14 billion, representing 15 percent of total invested assets.

[Table 2: Aggregate Investment Mix](#)

Types of Investment	Amount Invested \$'000	% of Total Investments	Amount Invested \$'000	% of Total Investments	Amount Invested \$'000	% of Total Investments
	Dec-15		Sep-15		Jun-15	
Deposits	4,109,445.87	1.04%	4,336,945.85	1.19%	3,359,088.32	0.93%
Commercial Paper	211,046.03	0.05%	71,928.59	0.02%	31,766.60	0.01%
Securities of Governments	133,381,743.94	33.76%	135,830,816.83	37.24%	136,425,709.61	37.85%
Repurchase Agreements	25,374,336.35	6.42%	30,962,388.37	8.49%	32,317,386.02	8.97%
Bonds and Debentures	11,715,929.03	2.97%	7,644,399.86	2.10%	6,611,919.91	1.83%
Mortgage Loans	190,651.98	0.05%	193,667.36	0.05%	221,330.16	0.06%
Other Loans	2,728,703.74	0.69%	2,584,166.46	0.71%	2,504,746.45	0.69%
Promissory Notes	3,339,740.41	0.85%	3,115,818.76	0.85%	2,817,607.34	0.78%
Leases	2,822,915.68	0.71%	2,590,559.23	0.71%	1,776,677.95	0.49%
Stocks and Shares	58,137,236.37	14.71%	40,855,300.74	11.20%	39,759,731.42	11.03%
Real Estate	21,392,652.39	5.41%	20,868,203.26	5.72%	20,681,041.70	5.74%
Investment Arrangements	130,085,129.13	32.92%	114,500,268.30	31.39%	112,506,137.16	31.21%
Derivatives	0.00	0.00%	0.00	0.00%	0.00	0.00%
Other Investments	1,637,513.34	0.41%	1,209,345.33	0.33%	1,424,256.01	0.40%
Total Investments	395,127,044.27	100.00%	364,763,808.95	100.00%	360,437,398.65	100.00%
Other Net Assets	1,820,040.54		2,325,769.86		2,631,378.57	
Total Assets	396,947,084.81		367,089,578.82		363,068,777.21	

Note: September 2015 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 51.31 percent of the total private pensions industry. As at December 31, 2015 there were four hundred and eleven (411) active plans, four less than the previous quarter (See Table 3). Four pension plans wound-up during the quarter which resulted in a reduction in the active membership in private pension arrangements in Jamaica during the quarter. One terminating retirement scheme was fully wound-up and removed from the Register at the Financial Services Commission ("FSC").

[Table 3: Membership](#)

	December 2015	September 2015	June 2015
Number of Active Plans	411	415	420
Active Membership	102,329	102,406	102,515

Three hundred and six (306) of the 411 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).

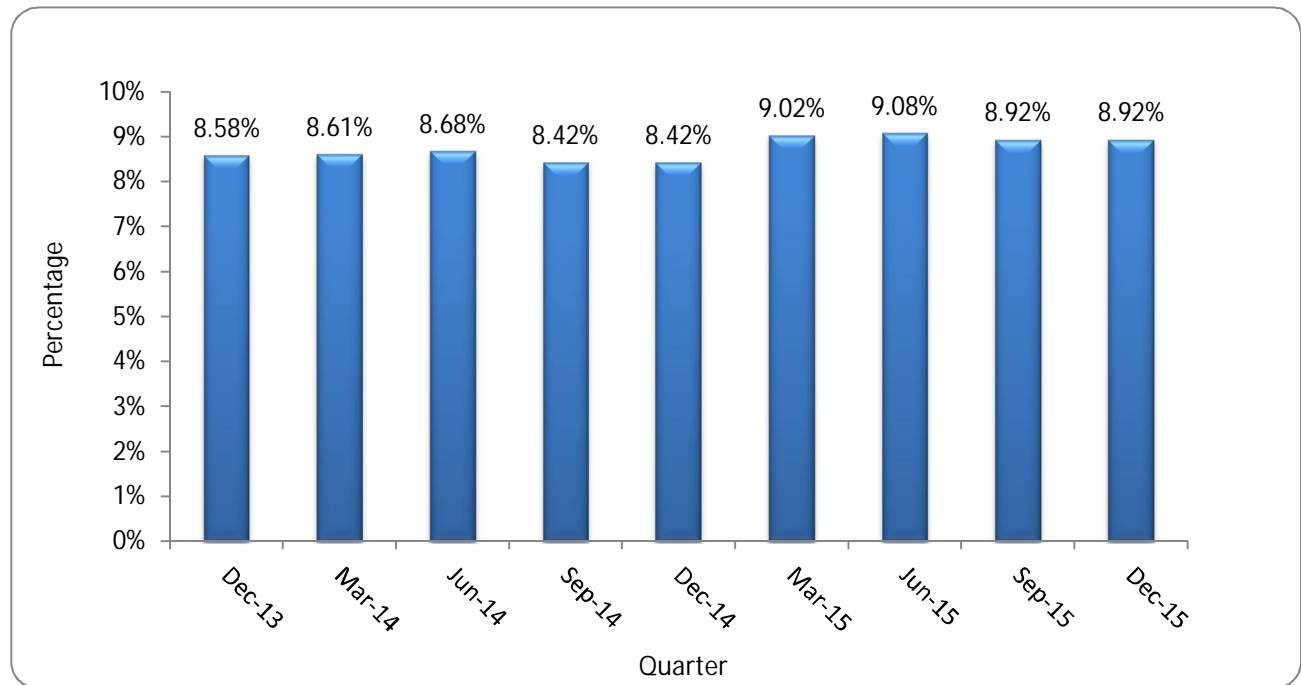
[Table 4: Active Pension Plans by Type](#)

	December 2015	September 2015	June 2015
Number of Plans			
Defined Benefit	105	107	108
Defined Contribution	306	308	312
Total Active Plans	411	415	420
Membership			
Defined Benefit	21,856	21,907	21,909
Defined Contribution	80,473	80,499	80,606
Total Membership	102,329	102,406	102,515
Assets Values			
Defined Benefit (\$'000)	253,426,937	232,305,956	230,039,995
Defined Contribution (\$'000)	134,651,433	121,436,945	119,781,895
Total Asset Values (\$'000)	388,078,370	353,742,901	349,821,890

Membership in active pension plans as at December 31, 2015 covered 8.92 percent of the Jamaican employed labour force² no change when compared to the September quarter (See chart 1). This is as a result of the reduction in membership in active pension plans and a quarterly decline in the employed labour force.

² The Jamaican employed labour force as at October 31, 2015 was 1,146,600 according to the Statistical Institute of Jamaica (statinja.gov.jm).

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



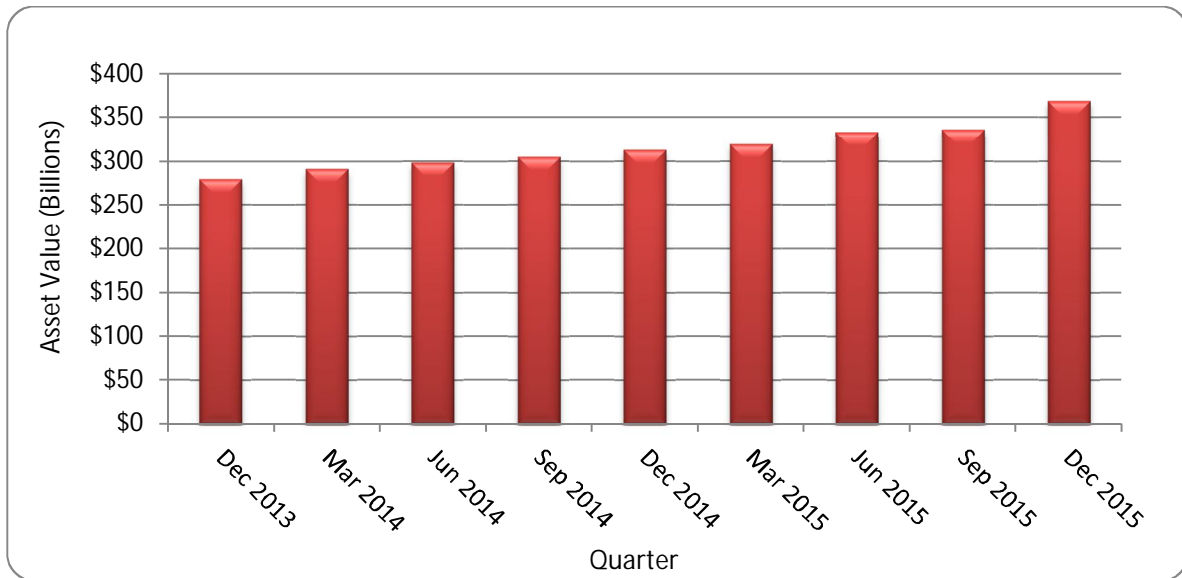
Active Plans by Type

As illustrated in Table 5, superannuation funds (“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 11.46 percent to \$19.35 billion, compared to the 9.62 percent increase recorded by superannuation funds (See Charts 2 & 3). Whilst membership in active funds decreased during the quarter, there was no movement in the membership within the schemes.

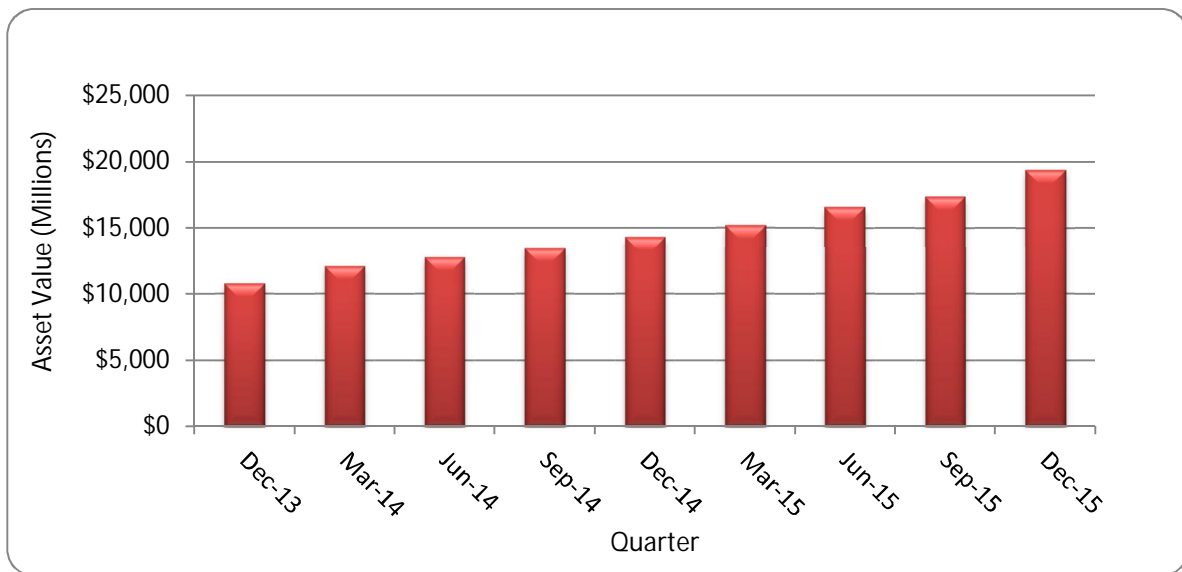
Table 5: Active Plans by Type as at December 31, 2015

	Number of Active Plans	Percentage of Plans	Number of Members	Percentage of Membership	Asset Value (\$'000)	Percentage of Asset Value
Retirement Schemes	12	2.92	40,023	39.11	19,347,701	4.99
Superannuation Funds	399	97.08	62,306	60.89	368,730,669	95.01
TOTAL	411	100.00	102,329	100.00	388,078,370	100.00

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



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

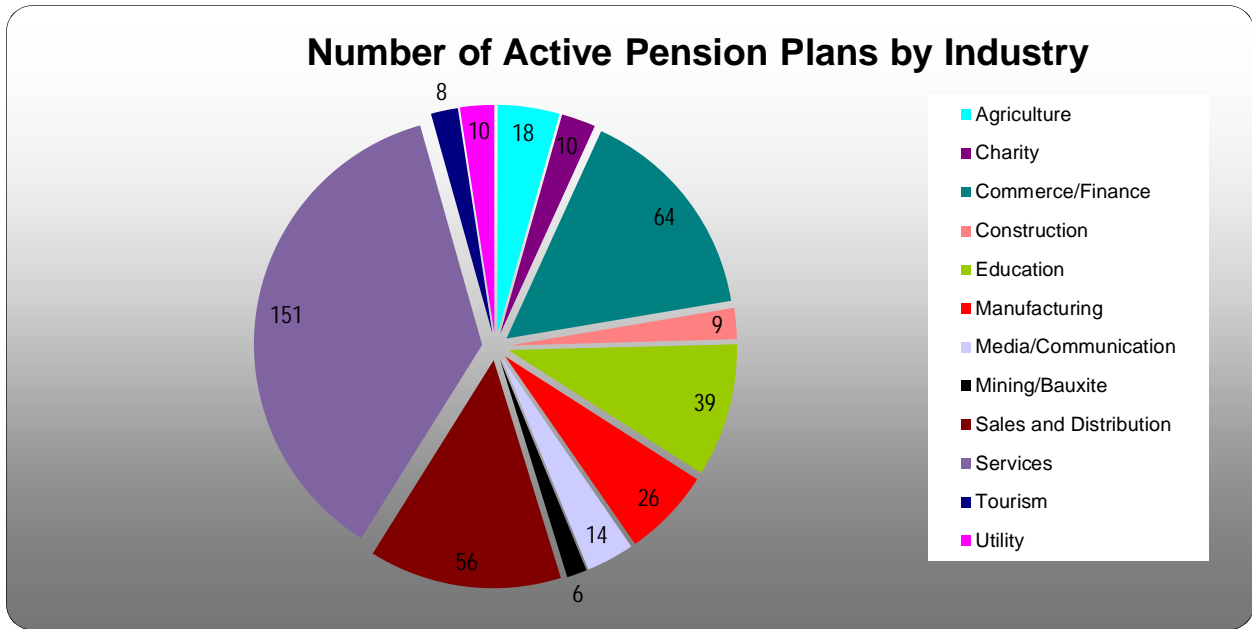


Active Plans by Industry

The Commerce and Finance Industry accounted for 51.57 percent of active members and 40.57 percent of the pension industry assets at December 31, 2015, 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 20.16 percent of the active members and 16.27 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 December 31, 2015.

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



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

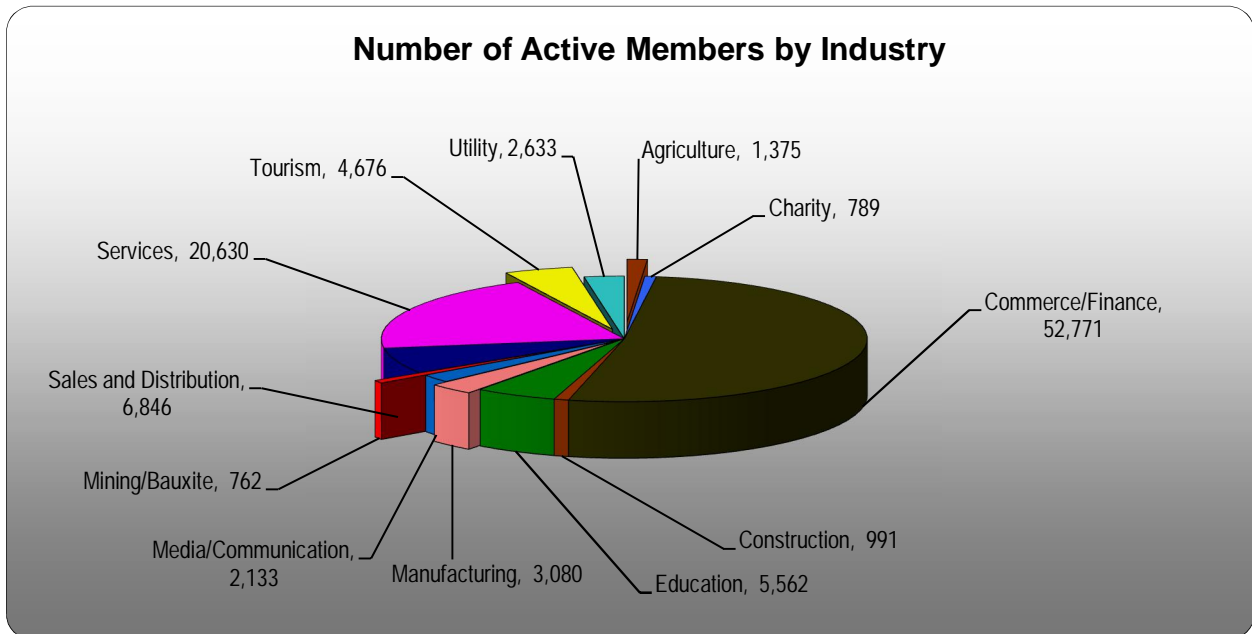
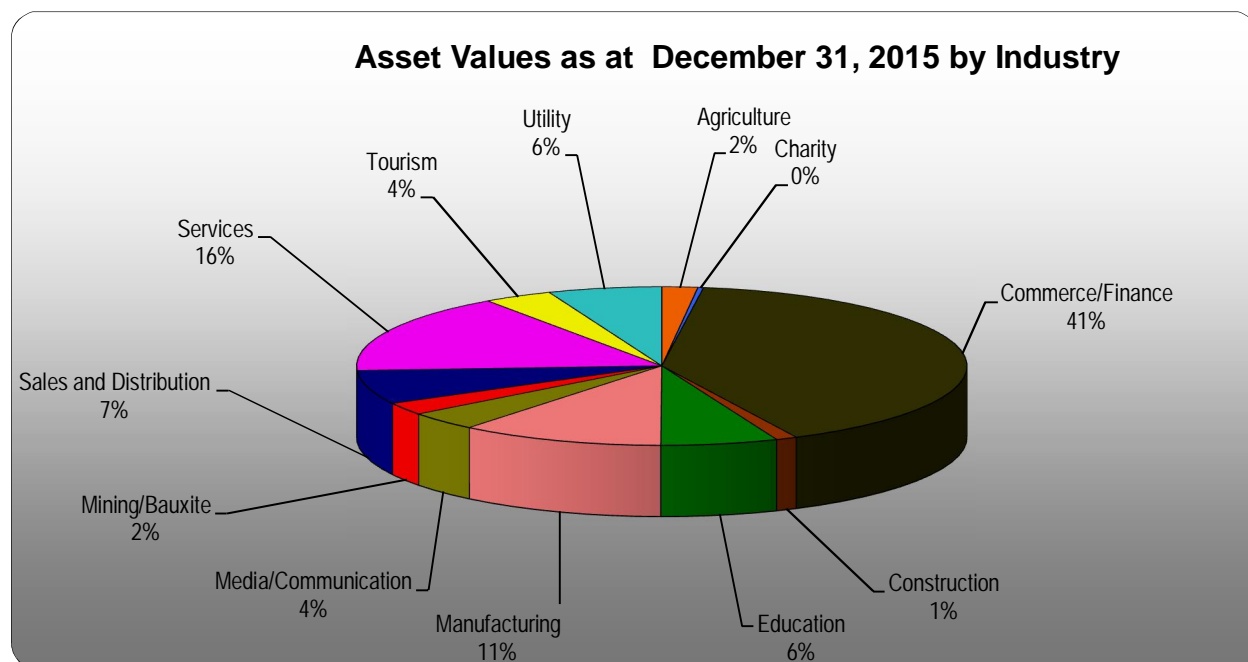


Chart 6: Asset Values by Industry



Solvency of Active Pension Plans

Three hundred and ninety-nine (399) plans, representing approximately 97 percent of the 411 active plans have submitted solvency data; analysis of the data shows that as at December 31, 2015, approximately 93 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, 94 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.

Table 6: Solvency Levels of Active Plans as at December 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	104	10	29	29	36	90
Defined Contribution	295	18	187	69	21	94
Total	399	28	216	98	57	93

Inactive Pension Plans

During the quarter there was no movement in the membership of the inactive plans (See Table 7).

Table 7: Inactive Pension Plans by Type

	December 2015	September 2015	June 2015
Number of Plans			
Defined Benefit	5	5	5
Defined Contribution	14	14	14
Total Inactive Plans	19	19	19
Membership			
Defined Benefit	2,243	2,243	2,243
Defined Contribution	84	84	84
Total Membership	2,327	2,327	2,327
Asset Values			
Defined Benefit (\$'000)	341,458	343,806	349,930
Defined Contribution (\$'000)	60,658	53,629	52,504
Total Asset Values (\$'000)	402,116	397,435	402,434

Terminating Plans

During the December quarter three superannuation funds initiated termination proceedings and one retirement scheme was fully wound-up. The total asset values for the terminating plans stood at \$8.47 billion (See Table 8).

Table 8: Terminating Pension Plans by Type

	December 2015	September 2015	June 2015
Number of Plans			
Defined Benefit	96	84	83
Defined Contribution	285	284	280
Total Terminating Plans	371	368	363
Membership			
Defined Benefit	3,626	3,575	3,573
Defined Contribution	1,702	1,676	1,569
Total Membership	5,328	5,251	5,142
Asset Values			
Defined Benefit (\$'000)	3,832,370	8,468,935	8,444,271
Defined Contribution (\$'000)	4,634,229	4,480,270	4,400,182
Total Asset Values (\$'000)	8,466,599	12,949,205	12,844,453

Investment Managers

There were no new investment managers participating in the private pensions industry as at December 31, 2015. Life insurance companies represent 11.11 percent of the total number of investment managers; however they now account for approximately 52 percent of total private pension assets. Life insurance companies and securities dealers account for 91 percent of the private pension industry assets. Credit unions and building societies with less than one percent of private pension assets accounted for the smallest market share (See Table 9).

Table 9: Total Assets Under Management of Investment Managers

Investment Managers	Number of Entities Dec 2015	Asset Values Dec 2015 ³ (\$'000)	Number of Entities Sep 2015	Asset Values Sep 2015 (\$'000)	Number of Entities Jun 2015	Asset Values Jun 2015 (\$'000)
Insurance Companies	3	207,653,102	3	188,947,703	3	185,573,691
Securities	16	155,184,833	16	142,318,188	16	142,061,959
Credit Unions/ Building Societies	2	304,108	2	276,245	2	263,294
Other	5	33,805,042	5	35,547,443	5	34,169,833
Total	26	396,947,085	26	367,089,579	26	363,068,777

Risk Outlook

The Jamaican economy grew in real terms by an estimated 0.6 percent during the December 2015 quarter according to the Planning Institute of Jamaica. In addition, the 12-month inflation stood at 3.7 percent, down from 6.4 percent in 2014 according to Bank of Jamaica ("BOJ"). The BOJ also indicated that credit to the private sector continues to increase as the crowding-in effect of the government's diminishing appetite for domestic borrowing continues to be felt.

The private pension industry continues to be stable as the local and global economic challenges appear to be easing. Aggregate direct investment in Government of Jamaica securities has been trending downwards during 2015 and stood at approximately 34 percent of the total invested assets of the pension industry followed closely by investments in pooled arrangements. These assets classes represent the most significant investment risk exposure for pension plans. The BOJ also reported that the first payout of the \$62 billion NDX bonds took place in February 2016 and was replaced by a \$15 billion government bond issue which was oversubscribed. The effect of the liquidity in the market was the increased demand in foreign currency instruments. Notwithstanding, BOJ intervened to restore balance in the foreign exchange market, mopping up liquidity amounting to \$23 billion.

The local stock market continued its recent positive out-turn on the main index. Fifteen percent of the private pension assets are invested in equities and the continued performance of the local stock market provides opportunities for pension plans which need to diversify their portfolios and reduce counter party risk exposure.

Notwithstanding that the employed labour force declined by 900 persons compared with the previous quarter, the pension coverage at the end of December 2015 remained stable when compared with the previous quarter. Four

³ The asset values include the assets of one terminating superannuation fund for which the investment manager withdrew its application for licensing with the FSC.

pension arrangements terminated during the quarter with sponsoring employers citing economic factors as the main reason for terminating their pension plans. Some businesses continue to feel the strain of the tight fiscal policies and this poses a risk to the pensions industry. There was significant growth in both the retirement scheme and superannuation fund segment during the quarter, notwithstanding the terminations during the period. The viability of retirement schemes is dependent on the levels of disposable incomes within the Jamaican economy as well as the employment levels of the Jamaican workforce.

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 as well as ensuring that the assets are being prudently invested and in accordance with the relevant Statement of Investment Policies and Principles.

Summary

The private pension industry continues to be stable with most economic indicators in the country pointing in the right direction. During the review quarter, the number of active pension plans declined when compared with the September 2015 quarter, as a result of the termination of four plans. The number of Jamaicans participating in active private pension arrangements declined during quarter with a corresponding decline in the Jamaican employed workforce during the quarter resulting in no change in pension coverage.

The total assets in the private pensions industry increased during the quarter and the solvency levels of pension plans remained adequate.