

FINANCIAL SERVICES COMMISSION

Private Pension Industry Quarterly Statistics

March 2016

Overview

As at March 31, 2016 there were eight hundred and one (801) pension plans¹ covering approximately ten percent of the employed labour force, with assets totaling \$407.46 billion representing a three percent increase over the previous quarter. An equivalent three percent growth in plan membership was experienced for the quarter. (See Table 1).

Table 1 : Key Statistics

	March 2016	December 2015	September 2015
Number of Plans	801	801	802
Asset Values (\$'000)	407,461,578	396,899,979	367,089,579
Total Membership	113,219	109,984	109,984

Note: December 2015 has been re-stated

Investment Mix

Direct holdings of securities of governments comprised approximately 33 percent of total investments as at March 31, 2016; this represented a fourth quarter of marginal reduction in the total quantity held, as shown in Table 2.

Investment arrangements which comprised approximately 34 percent of total investments, now represents the most popular asset class among superannuation funds (“funds”) and retirement schemes (“schemes”) in Jamaica. Investment arrangements which includes pooled funds and deposit administration contracts are significantly invested in government securities. This indirect investment in government securities accounts for approximately 52 percent of these investment arrangements as at March 31, 2016; a six percent increase compared with the previous quarter. The value of the equities within these investment arrangements increased marginally, recording a two percent growth during the quarter and represents approximately 28 percent of the total assets of these investment arrangements. A combination of the performances of these asset classes resulted in the appreciation of the values of investment arrangements.

Substantial quarterly growth was experienced from investments in repurchase agreements, bonds and debentures as well as other loans. Though investments in bonds and debentures continue to grow, funds and schemes are not significantly invested in this type of debt financing. As a whole, funds and schemes are not considerably exposed to corporate debt financing.

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

Pension plans' participation in retail repo investments increased for the first time in a year as the percentage of invested assets stood at 6.89 percent compared with 6.41 percent as at the previous quarter. Retail repos grew by 10 percent during the review quarter and stood at \$27.95 million.

The robust performance of the stocks listed on the Jamaica Stock Exchange ("JSE"), which was experienced last year has been tempered somewhat, with the JSE main index advancing by 3,219 points or a growth of approximately two percent during the March quarter. This partially attributed to the negligible growth in the value of the direct holdings of stocks and shares within the investment portfolio of pension plans when compared with December 2015. The value of this asset class stood at \$58.51 billion, representing 14 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
	Mar-16		Dec-15		Sep-15	
Deposits	3,512,813.18	0.87%	4,109,445.73	1.04%	4,336,945.85	1.19%
Commercial Paper	211,219.94	0.05%	211,046.03	0.05%	71,928.59	0.02%
Securities of Governments	133,120,898.00	32.80%	133,351,967.95	33.75%	135,830,816.83	37.24%
Repurchase Agreements	27,948,295.90	6.89%	25,332,699.47	6.41%	30,962,388.37	8.49%
Bonds and Debentures	12,944,925.00	3.19%	11,715,928.86	2.97%	7,644,399.86	2.10%
Mortgage Loans	193,364.00	0.05%	190,651.98	0.05%	193,667.36	0.05%
Other Loans	3,037,800.00	0.75%	2,728,703.74	0.69%	2,584,166.46	0.71%
Promissory Notes	3,307,227.50	0.81%	3,339,740.41	0.85%	3,115,818.76	0.85%
Leases	2,771,358.93	0.68%	2,820,867.68	0.71%	2,590,559.23	0.71%
Stocks and Shares	58,510,506.57	14.41%	58,090,911.62	14.70%	40,855,300.74	11.20%
Real Estate	21,115,205.00	5.20%	21,334,199.46	5.40%	20,868,203.26	5.72%
Investment Arrangements	137,669,782.43	33.92%	130,213,179.93	32.96%	114,500,268.30	31.39%
Derivatives	0.00	0.00%	0.00	0.00%	0.00	0.00%
Other Investments	1,561,480.68	0.38%	1,637,513.37	0.41%	1,209,345.33	0.33%
Total Investments	405,904,877.13	100.00%	395,076,856.24	100.00%	364,763,808.95	100.00%
Other Net Assets	1,556,700.76		1,823,123.43		2,325,769.86	
Total Assets	407,461,577.88		396,899,979.67		367,089,578.82	

Note: December 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 51.56 percent of the total private pensions industry. As at March 31, 2016 there were 413 active plans, two more than the previous quarter (See Table 3). During the quarter, one fund

wound-up, one fund was registered and began operations and two previously inactive funds became active. The net result was an increase in the active membership in private pension arrangements in Jamaica during the quarter.

Table 3: Membership

	March 2016	December 2015	September 2015
Number of Active Plans	413	411	415
Active Membership	105,650	102,329	102,406

Three hundred and seven (307) of the 413 active plans are defined contribution (“DC”) plans. Despite the greater number and larger membership pool of DC plans reported, defined benefit plans continue to account for the majority of the pension industry assets (See Table 4).

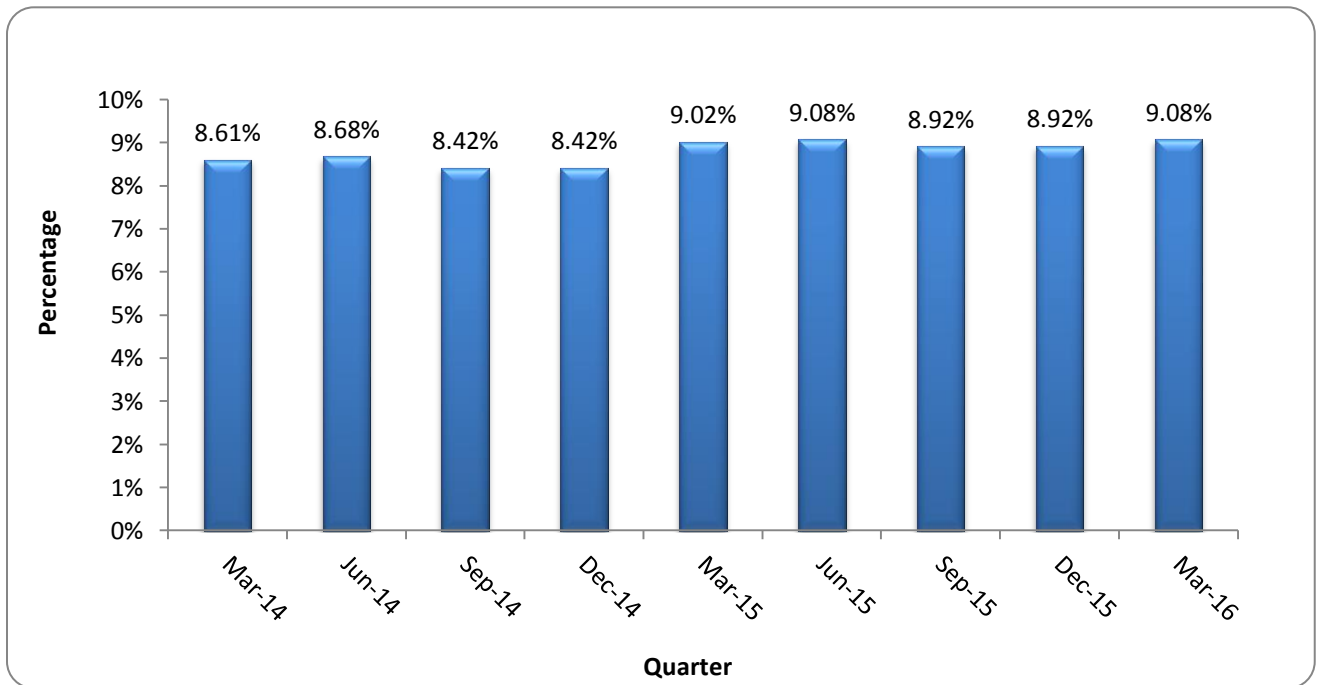
Table 4: Active Pension Plans by Type

	March 2016	December 2015	September 2015
Number of Plans			
Defined Benefit	106	105	107
Defined Contribution	307	306	308
Total Active Plans	413	411	415
Membership			
Defined Benefit	21,322	21,856	21,907
Defined Contribution	84,328	80,473	80,499
Total Membership	105,650	102,329	102,406
Assets Values			
Defined Benefit (\$'000)	259,814,600	253,426,937	232,305,956
Defined Contribution (\$'000)	139,195,374	134,604,328	121,436,945
Total Asset Values (\$'000)	399,009,974	388,031,265	353,742,901

Membership in active pension plans as at March 31, 2016 covered 9.08 percent of the Jamaican employed labour force² an increase when compared to the December quarter (See chart 1). This is as a result of a three percent increase in membership in active pension plans and a one percent quarterly increase in the employed labour force.

² The Jamaican employed labour force as at January 31, 2016 was 1,163,600 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, 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 schemes increased by 5.15 percent to \$20.34 billion, compared to the 2.71 percent increase recorded by funds (See Charts 2 & 3). Whilst membership in active funds decreased during the quarter, there was an 11.42 percent growth in the membership within the schemes.

Table 5: Active Plans by Type as at March 31, 2016

	Number of Active Plans	Percentage of Plans	Number of Members	Percentage of Membership	Asset Value (\$'000)	Percentage of Asset Value
Retirement Schemes	12	2.91	44,593	42.21	20,343,142	5.10
Superannuation Funds	401	97.09	61,057	57.79	378,666,832	94.90
TOTAL	413	100.00	105,650	100.00	399,009,974	100.00

Chart 2 – Asset Values for Active Superannuation Funds

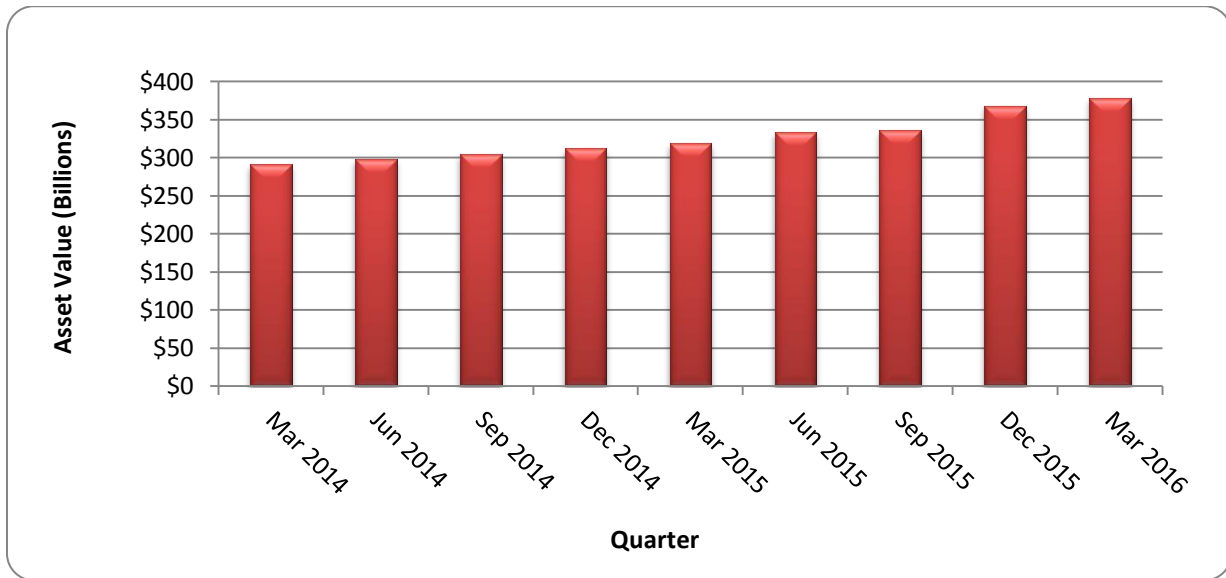
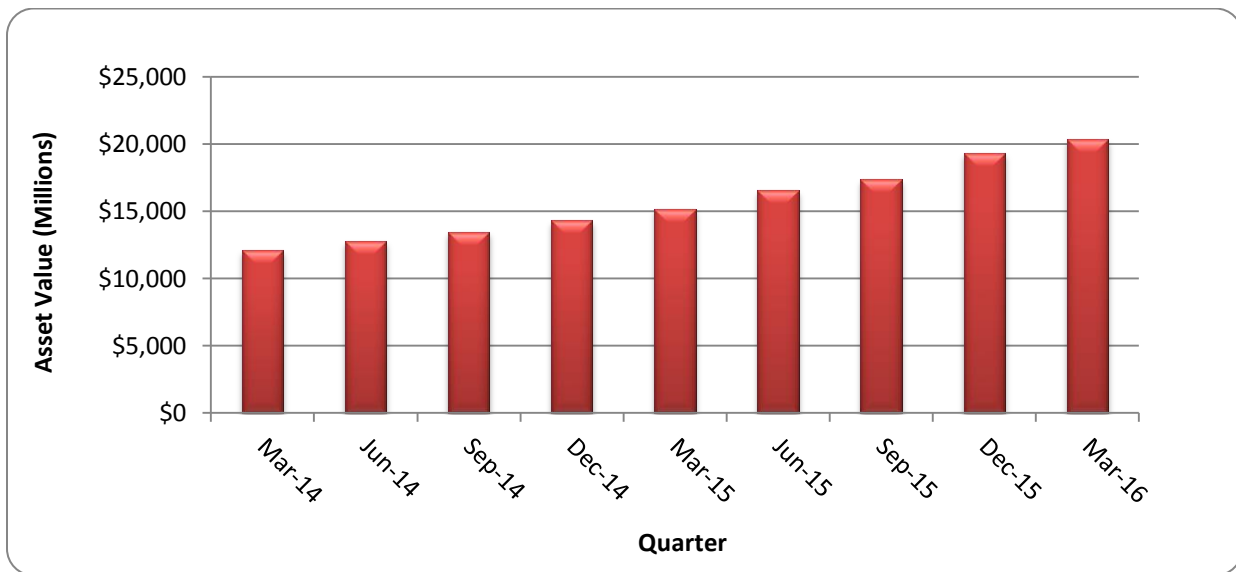


Chart 3 – Asset Values for Active Retirement Schemes



Active Plans by Industry

The Commerce and Finance Industry accounted for 53.64 percent of active members and 40.34 percent of the pension industry assets at March 31, 2016 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 19.61 percent of the active members and 16.43 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, 2016.

Chart 4: Number of Active Plans by Industry

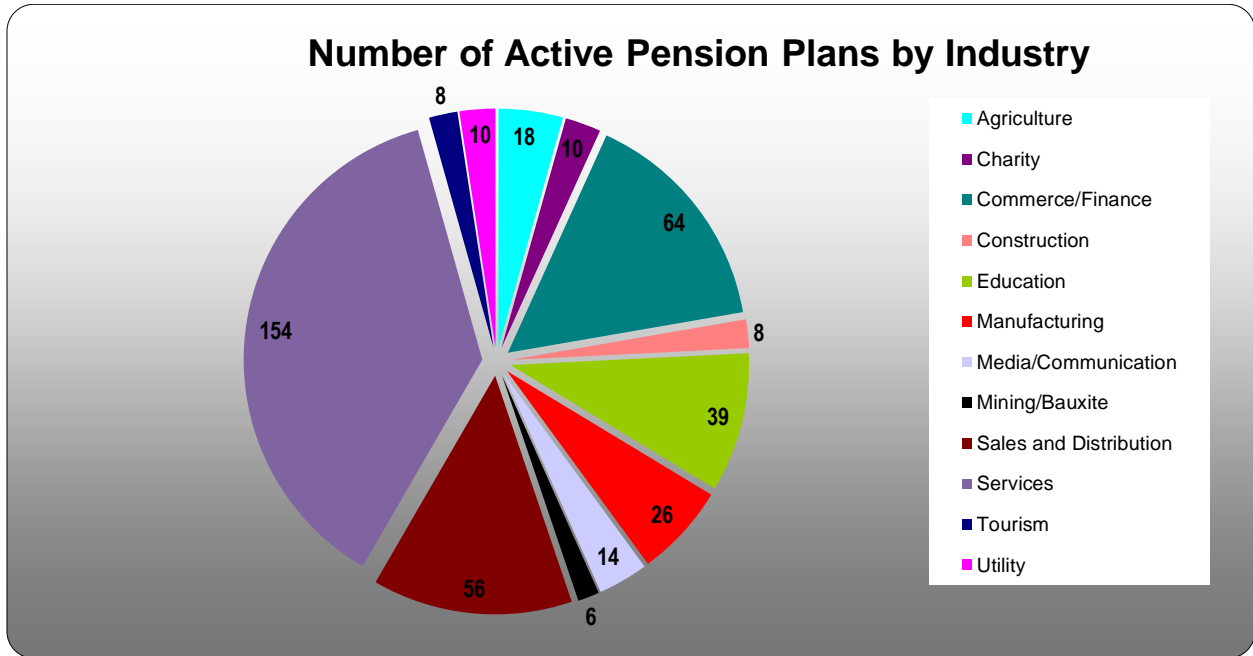


Chart 5: Number of Active Members by Industry

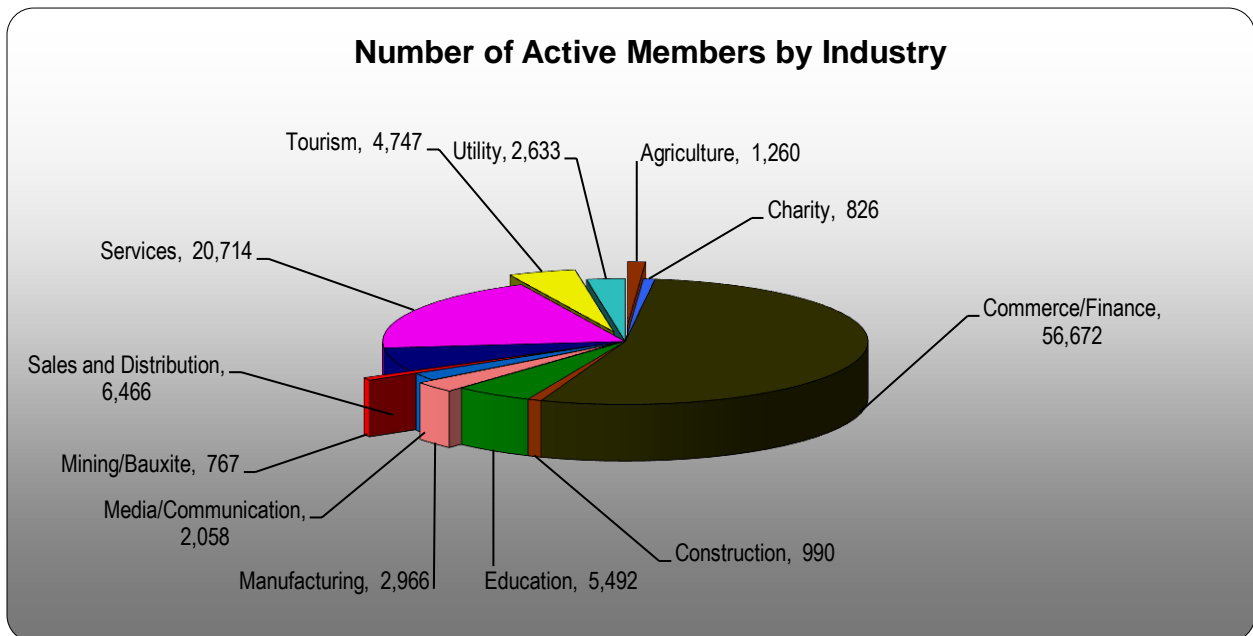
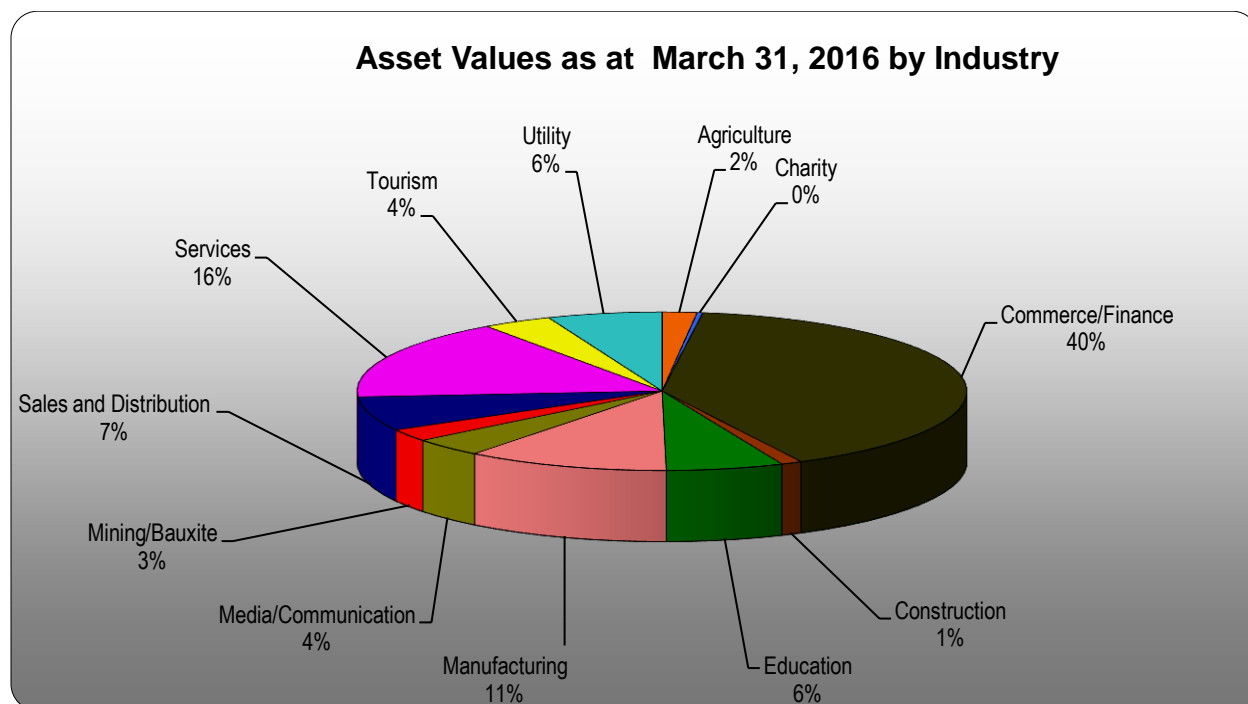


Chart 6: Asset Values by Industry



Solvency of Active Pension Plans

Three hundred and ninety-eight (398) plans, representing approximately 96 percent of the 413 active plans have submitted solvency data; analysis of the data shows that as at March 31, 2016, 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 March 31, 2016

	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	294	18	189	68	19	94
Total	398	28	218	97	55	93

Inactive Pension Plans

During the quarter the membership of the inactive plans declined to 16 due to two inactive plans now being classified as active and one being classified as terminating (See Table 7).

Table 7: Inactive Pension Plans by Type

	March 2016	December 2015	September 2015
Number of Plans			
Defined Benefit	4	5	5
Defined Contribution	12	14	14
Total Inactive Plans	16	19	19
Membership			
Defined Benefit	2,226	2,243	2,243
Defined Contribution	52	84	84
Total Membership	2,278	2,327	2,327
Asset Values			
Defined Benefit (\$'000)	171,678	341,458	343,806
Defined Contribution (\$'000)	42,091	60,658	53,629
Total Asset Values (\$'000)	213,769	402,116	397,435

Terminating Plans

During the March quarter one superannuation fund initiated termination proceedings; however there was an error adjustment made with respect of the assets of one fund that was previously classified as terminating and another that was previously inactive. Consequently the number of terminating plans for the quarter increased by one. The total asset values for the terminating plans stood at \$8.24 billion (See Table 8).

Table 8: Terminating Pension Plans by Type

	March 2016	December 2015	September 2015
Number of Plans			
Defined Benefit	85	86	84
Defined Contribution	287	285	284
Total Terminating Plans	372	371	368
Membership			
Defined Benefit	4,341	3,626	3,575
Defined Contribution	939	1,702	1,676
Total Membership	5,280	5,328	5,251
Asset Values			
Defined Benefit (\$'000)	3,657,485	3,832,370	8,468,935
Defined Contribution (\$'000)	4,580,349	4,634,229	4,480,270
Total Asset Values (\$'000)	8,237,834	8,466,599	12,949,205

Investment Managers

During the quarter the FSC licensed one new investment manager, increasing the number of investment managers participating in the private pensions industry to 27 as at March 31, 2016. Life insurance companies represent 11.11 percent of the total number of investment managers; however they continue to 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 Mar 2016	Asset Values Mar 2016 ³ (\$'000)	Number of Entities Dec 2015	Asset Values Dec 2015 (\$'000)	Number of Entities Sep 2015	Asset Values Sep 2015 (\$'000)
Insurance Companies	3	213,465,544	3	207,653,102	3	188,947,703
Securities	17	159,108,298	16	155,184,832	16	142,318,188
Credit Unions/ Building Societies	2	314,790	2	304,108	2	276,245
Other	5	34,572,946	5	33,757,937	5	35,547,443
Total	27	407,461,578	26	396,899,979	26	367,089,579

Risk Outlook

The Jamaican economy grew in real terms by an estimated 0.9 percent during the March 2016 quarter, according to the Planning Institute of Jamaica (“PIOJ”). In addition, the 12-month inflation rate stood at an historic low of 3 percent, down from 3.7 percent in December 2015, according to Bank of Jamaica (“BOJ”). The BOJ also indicated that credit to the private sector continues to increase in an environment of falling interest rates and high business and consumer confidence.

Unemployment rate stood at 13.3 percent down one percent from January 2015. Seven thousand persons entered the workforce during the quarter as there was growth in most of the sectors of the Jamaican economy. The PIOJ expects the economy to grow by 0.5 – 1.5 percent during the second quarter of 2016.

There was a 1.4 percent depreciation in the Jamaica dollar during the quarter; a rate that has gathered pace in the subsequent months as a result of the prospect of a large US dollar issue in the local capital market by a foreign financial institution. Notwithstanding, it was indicated that the Jamaica dollar is now fairly valued and the exchange rate is expected to move in line with the difference between the Jamaican inflation rate and the inflation rate of our main trading partners.

The private pension industry continues to be stable as the local and global economic challenges continue to ease. Aggregate direct investment in Government of Jamaica securities has been trending downwards during 2015 and stood at approximately 33 percent of the total invested assets of the pension industry. However, pooled arrangements have now become the most important assets in which pension plans are invested. These asset

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.

classes represent the most significant investment risk exposure for pension plans. The BOJ continues to intervene in the foreign exchange market as pressure on the Jamaica dollar continues. Nevertheless, BOJ indicated that the Net International Reserves remained robust and continued to exceed benchmark adequacy levels.

The local stock market continued its recent positive out-turn on the main index, albeit at a slower pace than in 2015. Fourteen 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.

With the increase in the employed labour force when compared with the previous quarter, pension coverage at the end of March 2016 increased; as there was a corresponding but more rapid increase in the number of persons participating in pension arrangements when compared with the previous quarter. While some businesses continue to feel the strain of the tight fiscal policies and this poses a risk to the pensions industry, the main economic sectors recorded growth during the quarter and the growth outlook remains positive. There was significant growth in the retirement scheme segment during the quarter and 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, 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 increased when compared with the December 2015 quarter. In addition, the number of Jamaicans participating in active private pension arrangements increased during the quarter with a corresponding increase in the Jamaican employed workforce, resulting in an improvement in pension coverage.

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