

FINANCIAL SERVICES COMMISSION

Private Pension Industry Quarterly Statistics

June 2016

Overview

As at June 30, 2016 there were eight hundred and one (801) pension plans¹ covering approximately ten percent of the employed labour force, with assets totaling \$425.17 billion representing a four percent increase over the previous quarter. Plan membership however, experienced negligible growth for the quarter. (See Table 1).

[Table 1 : Key Statistics](#)

	June 2016	March 2016	December 2015
Number of Plans	801	801	801
Asset Values (\$'000)	425,172,468	407,461,578	396,899,979
Total Membership	113,413	113,219	109,984

Investment Mix

Direct holdings of securities of governments comprised approximately 32 percent of total investments as at June 30, 2016 a marginal reduction in the percentage share of the total portfolio. However, the total quantity held has grown in value by approximately two percent when compared with the previous quarter, as shown in Table 2.1.

Investment arrangements which includes pooled funds and deposit administration contracts continues to grow and represented approximately 35 percent of total investments. It should be noted however that this investment vehicle is heavily invested on government securities and accounts for approximately 50 percent of these investment arrangements. The portfolio of indirect investments in government securities also trended downwards with a reduction of approximately three percent when compared to the March 2016 quarter. The equities investment class was one of the main areas of growth within the investment arrangements portfolio; it realized an increase of approximately 13 percent over the last quarter and accounted for approximately 30 percent of this portfolio.

Other notable growth areas within the industry included investments in bonds and debentures, promissory notes and equities. As the bond portfolio continues to grow the total value of the portfolio represented 3.31 percent of total investments, which is an indication that pension plans are not largely exposed to the risks associated with investing in corporate debt financing.

Despite the negligible growth experienced in the previous quarter in relation to pension plans holdings in stocks and shares, the value of this asset class grew by 11 percent for the quarter. This resulted in a total of \$64.96 billion being invested via this medium and represents approximately 15 percent of the entire portfolio, the third highest holding within the portfolio of investments for pension plans.

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

Following the increase of investments in the retail repurchase agreement market for the March quarter, the industry has once again seen a decrease of 13 percent in this asset class, with respect to the amount invested by pension plans. Total investments in this asset class stood at \$24.27 billion and accounted for 5.73 percent of the investment portfolio for the pension industry.

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
	Jun-16		Mar-16		Dec-15	
Deposits	4,077,166.77	0.96%	3,512,812.88	0.87%	4,109,445.73	1.04%
Commercial Paper	242,530.94	0.06%	211,219.94	0.05%	211,046.03	0.05%
Securities of Governments	135,499,153.42	31.99%	133,120,899.01	32.80%	133,351,967.95	33.75%
Repurchase Agreements	24,274,309.10	5.73%	27,948,296.02	6.89%	25,332,699.47	6.41%
Bonds and Debentures	14,023,639.33	3.31%	12,944,925.06	3.19%	11,715,928.86	2.97%
Mortgage Loans	172,066.41	0.04%	193,364.44	0.05%	190,651.98	0.05%
Other Loans	2,978,319.00	0.70%	3,037,800.00	0.75%	2,728,703.74	0.69%
Promissory Notes	3,450,273.00	0.81%	3,307,227.00	0.81%	3,339,740.41	0.85%
Leases	2,937,587.11	0.69%	2,771,358.92	0.68%	2,820,867.68	0.71%
Stocks and Shares	64,975,780.27	15.34%	58,510,507.34	14.41%	58,090,911.62	14.70%
Real Estate	21,339,860.14	5.04%	21,115,205.09	5.20%	21,334,199.46	5.40%
Investment Arrangements	147,623,067.98	34.85%	137,669,782.74	33.92%	130,213,179.93	32.96%
Derivatives	0.00	0.00%	0.00	0.00%	0.00	0.00%
Other Investments	2,007,000.32	0.47%	1,561,480.50	0.38%	1,637,513.37	0.41%
Total Investments	423,600,753.79	100.00%	405,904,878.95	100.00%	395,076,856.24	100.00%
Other Net Assets	1,571,713.88		1,556,698.94		1,823,123.43	
Total Assets	425,172,467.68		407,461,577.88		396,899,979.67	

Note: March 2016 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 pension industry. As at June 30, 2016 there were 412 active plans, one less than the previous quarter (See Table 3).

Table 3: Membership

	June 2016	March 2016	December 2015
Number of Active Plans	412	413	411
Active Membership	105,832	105,650	102,329

During the quarter one pension plan terminated which resulted in the number of active pension plans reducing to 412; of this number 306 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

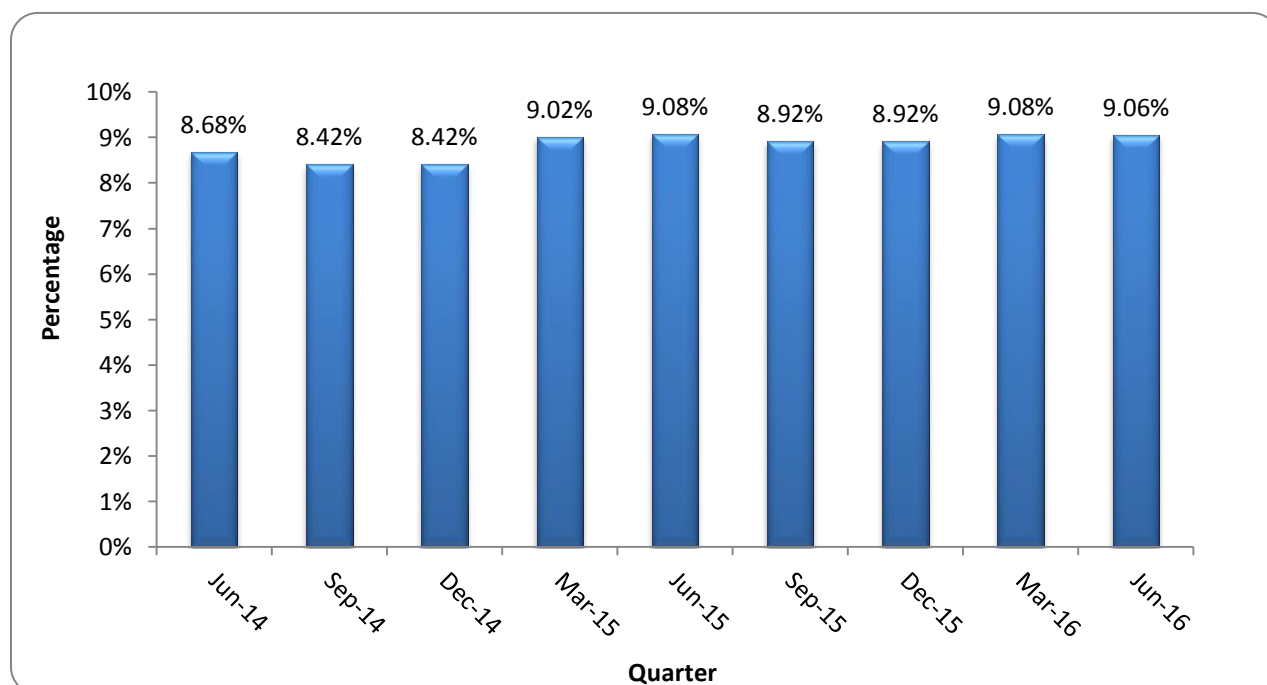
	June 2016	March 2016	December 2015
Number of Plans			
Defined Benefit	106	106	105
Defined Contribution	306	307	306
Total Active Plans	412	413	411
Membership			
Defined Benefit	21,201	21,322	21,856
Defined Contribution	84,631	84,643	80,473
Total Membership	105,832	105,650	102,329
Assets Values			
Defined Benefit (\$'000)	271,531,473	260,021,538	253,426,937
Defined Contribution (\$'000)	145,829,101	139,195,373	134,604,328
Total Asset Values (\$'000)	417,360,574	399,216,911	388,031,265

Note: March 2016 has been re-stated.

Membership in active pension plans as at June 30, 2016 covered 9.06 percent of the Jamaican employed labour force² a slight decrease when compared to the March quarter (See chart 1). This was however as a result of an increase in the employed labour force which was greater than a corresponding increase in active membership in pension plans for the reporting period.

² The Jamaican employed labour force as at April 30, 2016 was 1,168,600 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 accounted for approximately 97 percent of the number of active plans and approximately 95 percent of total assets. Retirement schemes assets slowed in growth this quarter when compared to the 5.15 percent growth experienced in the March 2016 quarter as assets grew by only 3 percent. This quarter also saw a reverse in the performance of funds relative to schemes, as the assets of funds grew by 4.63 percent (See Charts 2 & 3) outperforming the growth of the retirement schemes. The reduction realized in active membership for funds was as a result of one plan termination during the quarter.

Table 5: Active Plans by Type as at June 30, 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	42.14	20,948,792	5.02
Superannuation Funds	400	97.09	61,239	57.86	396,411,782	94.98
TOTAL	412	100.00	105,832	100.00	417,360,574	100.00

Chart 2 – Asset Values for Active Superannuation Funds

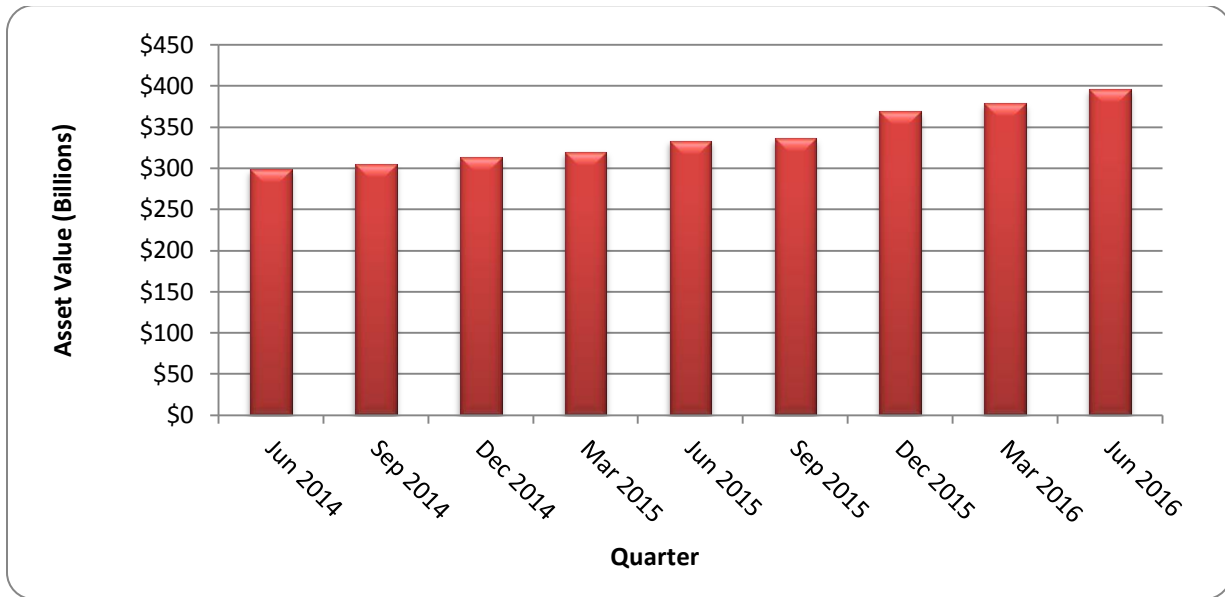
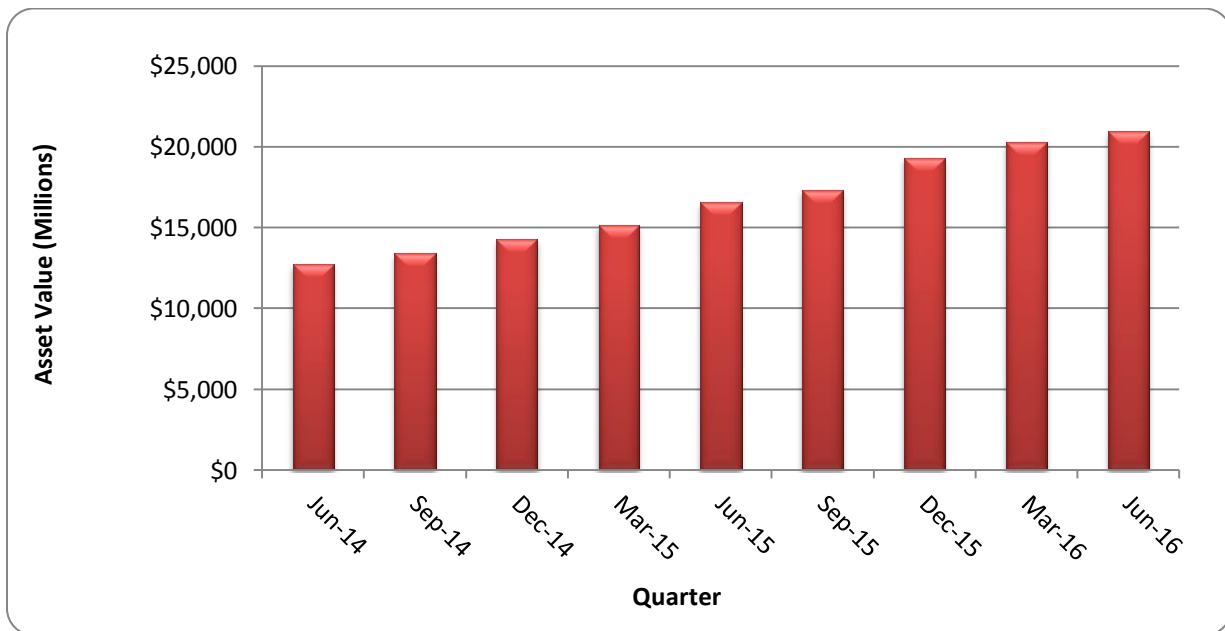


Chart 3 – Asset Values for Active Retirement Schemes



Active Plans by Industry

The Commerce and Finance Industry continues to be the main contributor for active membership with a total of 53.54 percent, a slight reduction when compared to the previous quarter. A similar reduction was experienced in relation to the industry's asset holdings as it represented 40.09 percent of the pension industry assets at June 30, 2016 compared to the last quarter. The industry segment with the second largest share of the market is the Services

Industry with 19.76 percent of the active members and 16.48 percent of assets of active plans. For an illustration of the total composition of active plans, membership and asset values by industry as at June 30, 2016 see Charts 4 – 6.

Chart 4: Number of Active Plans by Industry

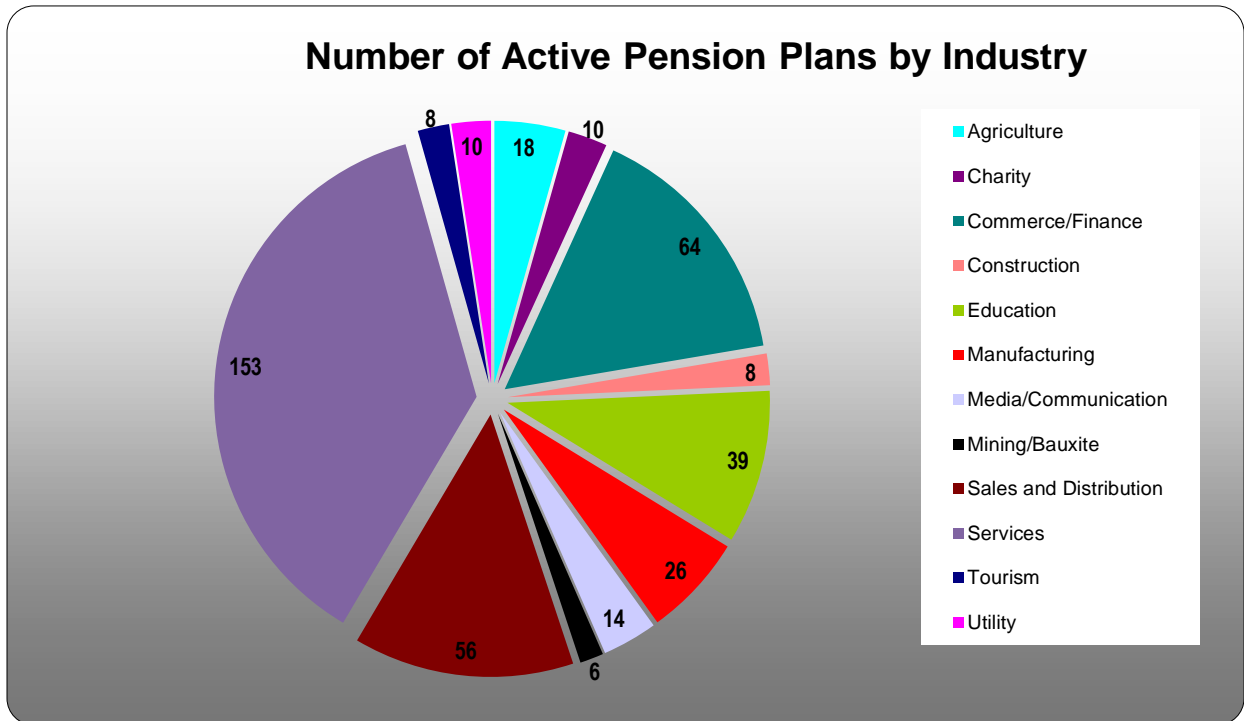


Chart 5: Number of Active Members by Industry

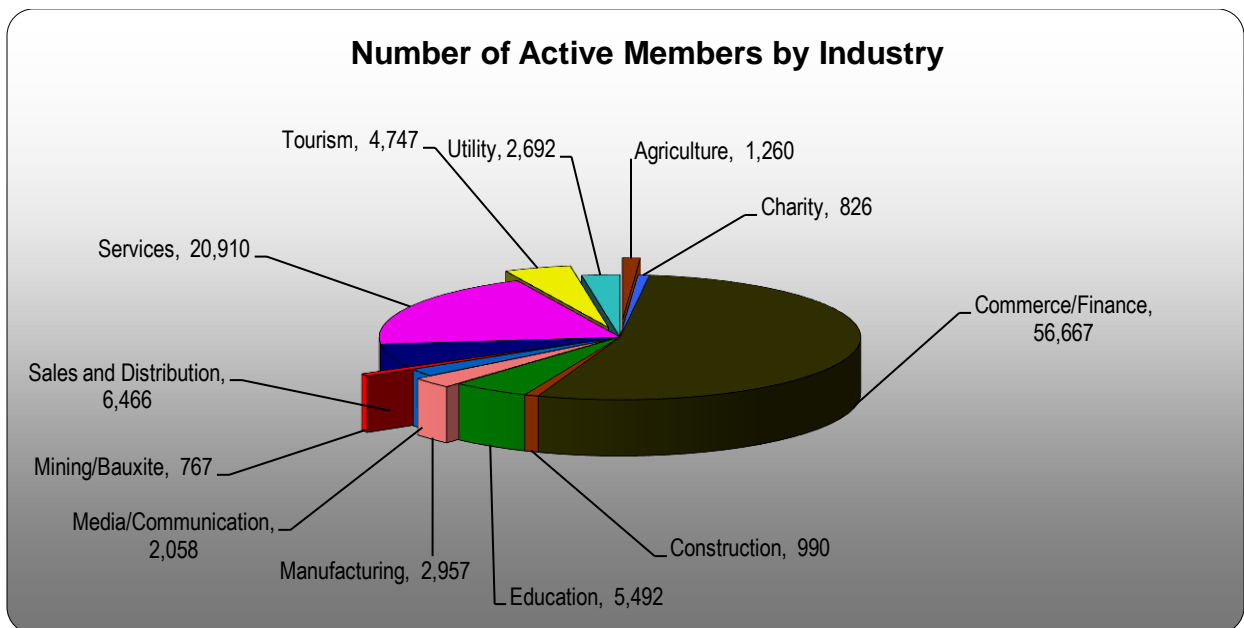
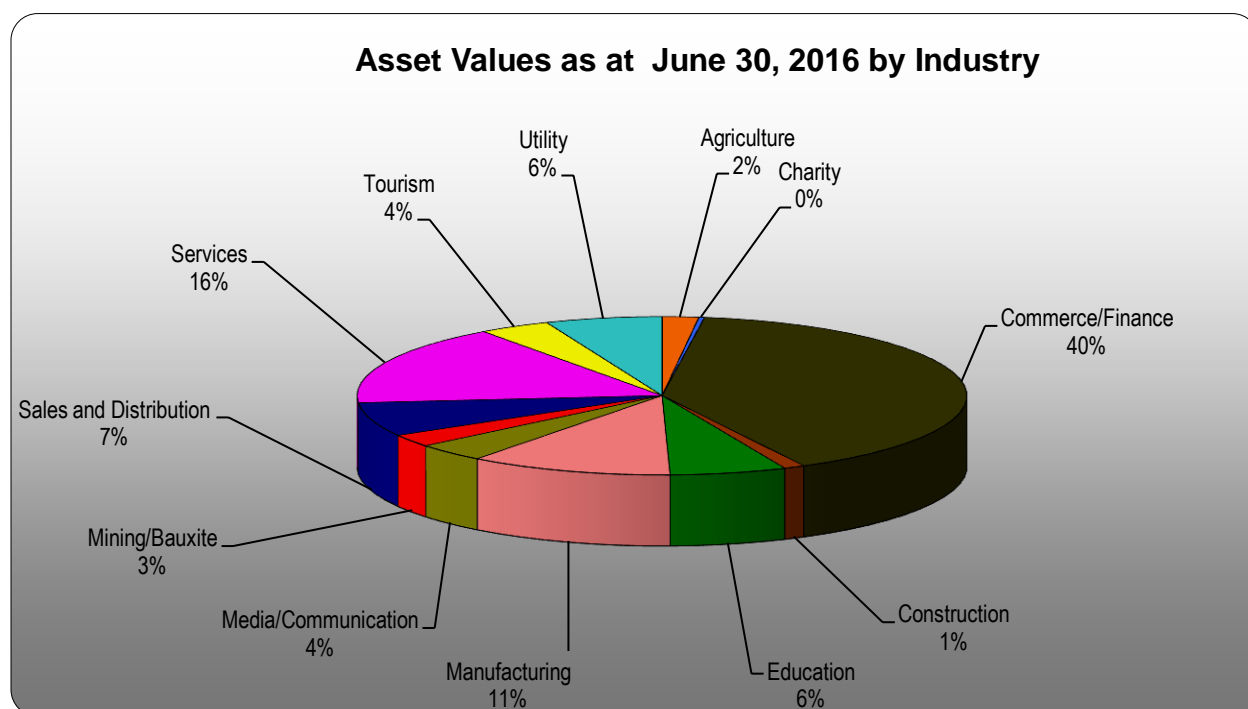


Chart 6: Asset Values by Industry



Solvency of Active Pension Plans

Three hundred and ninety-seven (397) plans, representing approximately 96 percent of the 412 active plans have submitted solvency data; analysis of the data shows that as at June 30, 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 June 30, 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	28	37	90
Defined Contribution	293	18	189	68	18	94
Total	397	28	218	96	55	93

Inactive Pension Plans

There were no changes in the quarter with respect to the number of inactive pension plans. It was noted however that there was seven percent reduction in the value of assets for defined benefit plans (See Table 7), the main contributor being a reduction of \$15 million dollar in the assets of one inactive defined benefit pension plan.

Table 7: Inactive Pension Plans by Type

	June 2016	March 2016	December 2015
Number of Plans			
Defined Benefit	4	4	5
Defined Contribution	12	12	14
Total Inactive Plans	16	16	19
Membership			
Defined Benefit	2,226	2,226	2,243
Defined Contribution	52	52	84
Total Membership	2,278	2,278	2,327
Asset Values			
Defined Benefit (\$'000)	159,700	171,678	341,458
Defined Contribution (\$'000)	42,950	42,091	60,658
Total Asset Values (\$'000)	202,650	213,769	402,116

Terminating Plans

During the June quarter one superannuation fund initiated termination proceedings consequently the number of terminating plans for the quarter increased by one. The total asset values for the terminating plans stood at \$7.61 billion (See Table 8).

Table 8: Terminating Pension Plans by Type

	June 2016	March 2016	December 2015
Number of Plans			
Defined Benefit	85	85	86
Defined Contribution	288	287	285
Total Terminating Plans	373	372	371
Membership			
Defined Benefit	4,341	4,341	3,626
Defined Contribution	961	950	1,702
Total Membership	5,303	5,291	5,328
Asset Values			
Defined Benefit (\$'000)	3,104,325	3,450,548	3,832,370
Defined Contribution (\$'000)	4,504,918	4,580,349	4,634,229
Total Asset Values (\$'000)	7,609,243	8,030,897	8,466,599

Investment Managers

During the quarter the number of licensed investment managers remained the same when compared with the previous quarter. 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 Jun 2016	Asset Values Jun 2016³ (\$'000)	Number of Entities Mar 2016	Asset Values Mar 2016 (\$'000)	Number of Entities Dec 2015	Asset Values Dec 2015 (\$'000)
Insurance Companies	3	223,191,267	3	213,465,544	3	207,653,102
Securities	17	164,985,607	17	159,108,298	16	155,184,832
Credit Unions/ Building Societies	2	333,443	2	314,790	2	304,108
Other	5	36,662,151	5	34,572,946	5	33,757,937
Total	27	425,172,468	27	407,461,578	26	396,899,979

Risk Outlook

The Jamaican economy grew in real terms by an estimated 1.1 percent during the June 2016 quarter, according to the Planning Institute of Jamaica (“PIOJ”). In addition, the 12-month inflation rate decelerated to 2.5 percent, down from 3.0 percent in March 2016, according to Bank of Jamaica (“BOJ”). The BOJ also indicated that credit to the private sector continues to increase and contrary to prior annual trends this credit was extended to businesses rather than households.

The unemployment rate stood at 13.7 percent a marginal increase when compared with the previous quarter. Notwithstanding, the labour force expanded and five thousand persons entered the workforce during the quarter. There was growth in most of the sectors of the Jamaican economy; in particular the agricultural sector which grew by seven percent. The PIOJ expects the economy to grow by 0.5 – 1.5 percent during the third quarter of 2016.

The private pension industry continues to be stable as the local economy appears poised for growth and the global economy strengthens. Aggregate direct investment in Government of Jamaica securities has been trending downwards for the first two quarters of 2016 and stood at approximately 32 percent of the total invested assets of the private pension industry. Pooled arrangements are the most important assets in which pension plans are invested and this asset class represents the most significant investment risk exposure for pension plans. There was a 2.9 percent depreciation in the Jamaica dollar during the quarter; a rate that continues to gather pace. This partially accounted for the 17 percent growth in the value of foreign currency denominated assets in the pension industry.

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.

Given that foreign currency denominated assets represent approximately 10 percent of invested pension assets there exists a significant foreign currency risk exposure.

The local stock market continued its recent positive out-turn on the main index, with a quarterly increase of 6.45 percent. Fifteen percent of the private pension assets are invested in equities and the performance of the local stock market continues to provide opportunities for pension plans which need to diversify their portfolios and reduce counter party risk exposure.

There was an increase in the employed labour force during the quarter and pension coverage at the end of June 2016 declined as there was only a tepid increase in the number of persons participating in pension arrangements. For the first time the growth in the assets of funds outstripped that of the schemes as schemes recorded anaemic increase in asset value during the quarter. As indicated in previous editions the progress of the retirement scheme segment and the viability of retirement schemes are 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 decreased when compared with the March 2016 quarter. Notwithstanding this, the number of Jamaicans participating in active private pension arrangements increased during the quarter. However, a greater increase in the Jamaican employed workforce resulted in a reduction in pension coverage.

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