

**FINANCIAL SERVICES COMMISSION**  
**Private Pension Industry Quarterly Statistics**  
**March 2017**

**Overview**

As at March 31, 2017 there were eight hundred and two (802) pension plans<sup>1</sup>. There was a marginal decline in plan membership which now covers 9.70% of the employed labour force. Nevertheless, total private pension assets increased nominally by four % to \$472.92 billion quarter over quarter. (See: Table 1).

**Table 1: Key Statistics**

	March 2017	December 2016	September 2016
<b>Number of Plans</b>	802	802	801
<b>Asset Values (\$'000)</b>	472,923,408	453,094,870	438,066,428
<b>Total Membership</b>	115,059	115,138	115,268

**Investment Mix**

Investment arrangements continue to be the most popular asset class among superannuation funds (“funds”) and retirement schemes (“schemes”) in Jamaica and comprised approximately 36% of total investments. These 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 45% of these investment arrangements as at March 2017; 4% increase compared with the previous quarter. Stocks and shares now represent 32% of the portfolio of these investment arrangements; and is the second most important asset class within these investment arrangements. The quarter over quarter growth areas within these investment arrangements are commercial paper (20%); corporate bonds (16%) and real estate (14%). A combination of the performances of these asset classes resulted in the appreciation of the values of investment arrangements to \$171.95 billion.

Despite the shifting appetite away from direct holdings of securities of governments to investment arrangements within the pension industry, direct holdings of securities of governments comprised approximately 30% of total investments as at March 31, 2017; this reflects the continued reduction in the total quantity held as a %age of the portfolio mix despite a continued marginal growth to \$139.86 billion, as shown in Table 2 and Chart 1.

The pension market continues its retreat from direct and indirect investments in repurchase agreements as well, which now represent less than 4% of the pension portfolio; a 4% reduction in the value held as at the first quarter of 2017. Investments in commercial paper, bonds and debentures continue to grow, though funds and schemes are not significantly invested directly in this type of debt financing. As a whole, funds and schemes are not considerably exposed to corporate debt.

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

Direct and indirect holdings of real estate experienced marginal growth during the quarter and continues to represent less than 5% of industry assets.

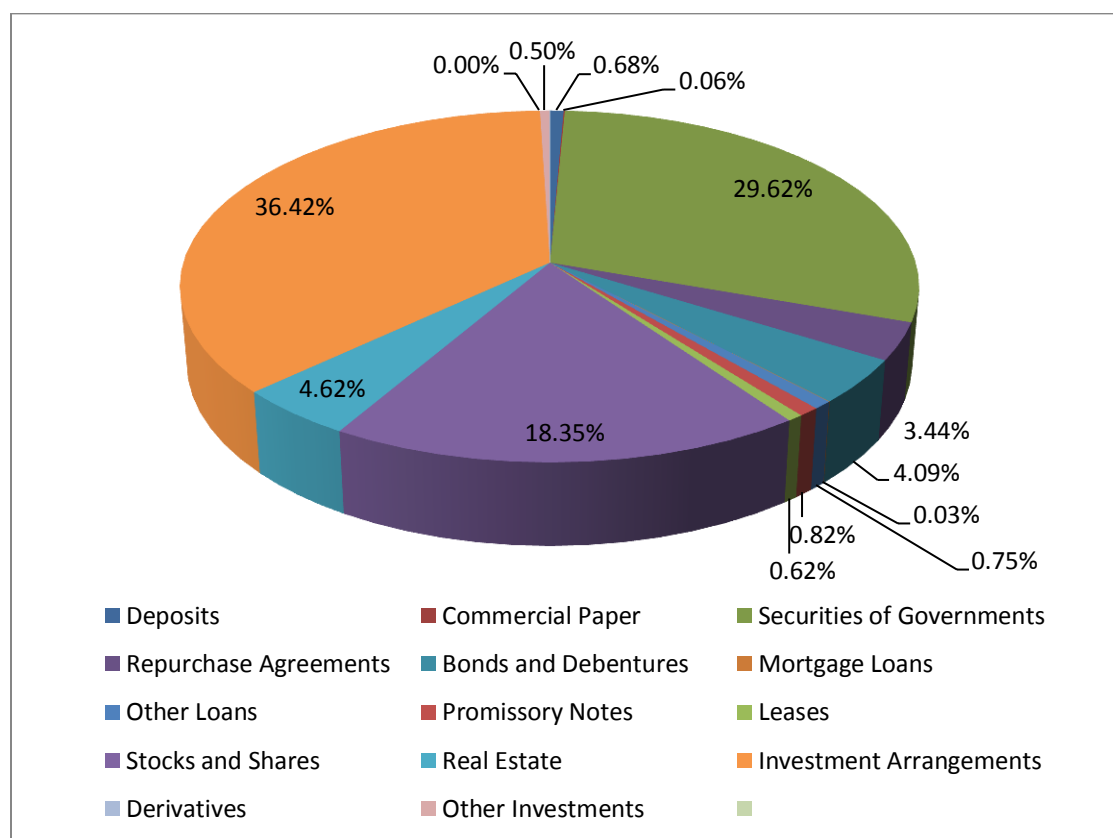
The Jamaica Stock Exchange (“JSE”) main index advanced by 31,557 points during the first quarter of 2017; this represented a growth rate of 14.10%. The performance of the stocks listed on the JSE during the quarter is partially reflected in the 12.68% appreciation in the value of stocks invested by funds and schemes. The value of this asset class stood at \$86.65 billion, representing 18% 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-17		Dec-16		Sep-16	
Deposits	3,199,719.16	0.68%	2,684,736.99	0.59%	3,641,089.73	0.83%
Commercial Paper	272,460.79	0.06%	247,395.13	0.05%	222,550.23	0.05%
Securities of Governments	139,864,541.30	29.62%	137,807,498.62	30.48%	135,875,739.05	31.10%
Repurchase Agreements	16,246,077.79	3.44%	16,834,327.72	3.72%	19,401,586.00	4.44%
Bonds and Debentures	19,310,546.81	4.09%	17,554,630.15	3.88%	14,499,438.92	3.32%
Mortgage Loans	147,471.02	0.03%	154,180.99	0.03%	165,232.00	0.04%
Other Loans	3,521,351.00	0.75%	3,602,846.84	0.80%	2,846,942.00	0.65%
Promissory Notes	3,888,619.03	0.82%	3,806,817.14	0.84%	3,321,462.47	0.76%
Leases	2,905,371.33	0.62%	2,835,682.32	0.63%	2,978,432.91	0.68%
Stocks and Shares	86,648,747.33	18.35%	76,898,309.98	17.01%	70,094,082.79	16.04%
Real Estate	21,814,324.06	4.62%	21,556,365.98	4.77%	21,609,402.00	4.95%
Investment Arrangements	171,951,493.84	36.42%	165,804,860.15	36.68%	160,212,723.84	36.67%
Derivatives	0.00	0.00%	0.00	0.00%	0.00	0.00%
Other Investments	2,346,996.19	0.50%	2,285,725.67	0.51%	2,058,250.56	0.47%
<b>Total Investments</b>	<b>472,117,719.65</b>	<b>100.00%</b>	<b>452,073,377.66</b>	<b>100.00%</b>	<b>436,926,932.48</b>	<b>100.00%</b>
Other Net Assets	805,688.52		1,021,492.03		1,139,495.75	
<b>Total Assets</b>	<b>472,923,408.16</b>		<b>453,094,869.69</b>		<b>438,066,428.23</b>	

*Note: Investment Arrangements describe Investments in Deposit Administration Contracts and Pooled Funds*

**Chart 1: Aggregate Investment Mix**



**Active Pension Plans**

As at March 31, 2017, the number of active pension plans accounted for 50.25% of the total private pension industry with assets of \$461.81 billion. There were 403 active plans, two less than the previous quarter (See Table 3). This was the result of one fund initiating winding-up proceedings and the re-classification of another as being wound-up. Notwithstanding, there was an increase in the active membership in private pension arrangements in Jamaica during the quarter. Membership in active pension plans as at March 31, 2017 covered 9.45% of the Jamaican employed labour force<sup>2</sup>, an increase when compared to the December quarter; buoyed by a 5% growth in the number of members of active pension plans (See chart 2).

**Table 3: Membership**

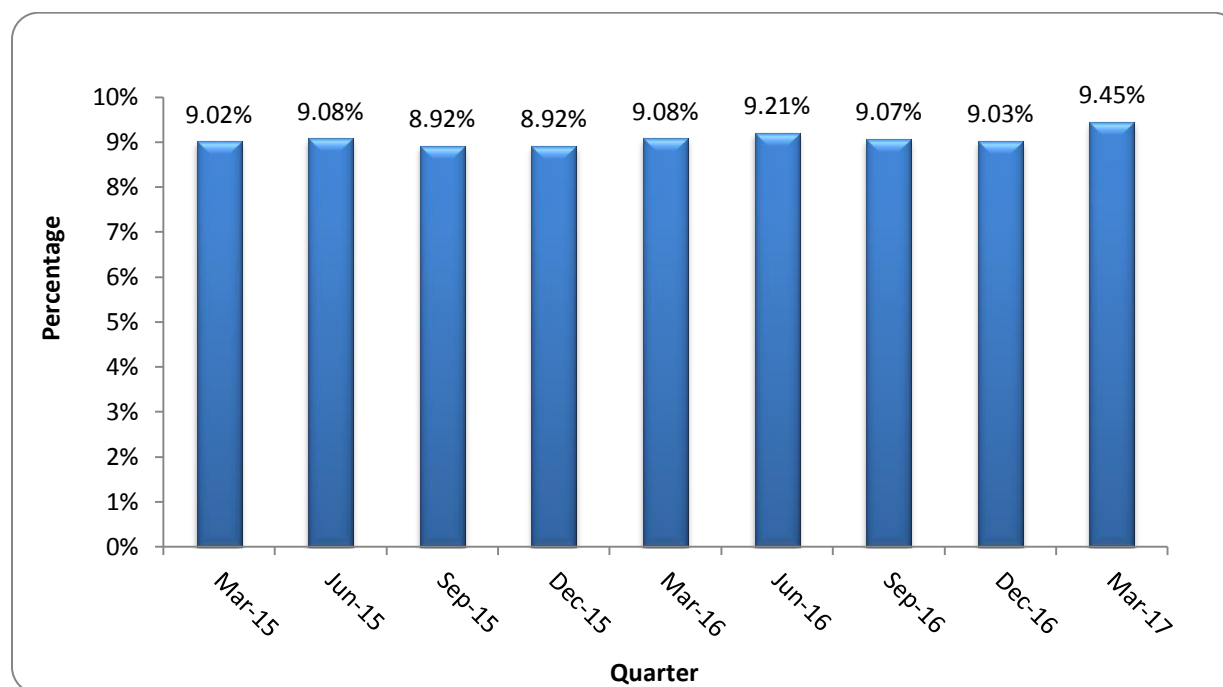
	March 2017	December 2016	September 2016
<b>Number of Active Plans</b>	403	405	410
<b>Active Membership</b>	112,048	106,660	107,651

<sup>2</sup> The Jamaican employed labour force as at January 31, 2017 was 1,185,700 according to the Planning Institute of Jamaica (pioj.gov.jm).

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

	March 2017	December 2016	September 2016
<b>Number of Plans</b>			
Defined Benefit	104	105	106
Defined Contribution	299	300	304
<b>Total Active Plans</b>	<b>403</b>	<b>405</b>	<b>410</b>
<b>Membership</b>			
Defined Benefit	21,177	21,060	21,190
Defined Contribution	90,871	85,610	86,461
<b>Total Membership</b>	<b>112,048</b>	<b>106,660</b>	<b>107,651</b>
<b>Assets Values</b>			
Defined Benefit (\$'000)	300,783,567	288,511,836	274,182,322
Defined Contribution (\$'000)	161,029,689	154,393,865	153,469,596
<b>Total Asset Values (\$'000)</b>	<b>461,813,256</b>	<b>442,905,701</b>	<b>427,651,918</b>

**Chart 2: Private Pension Coverage as a %age of Employed Labour Force**



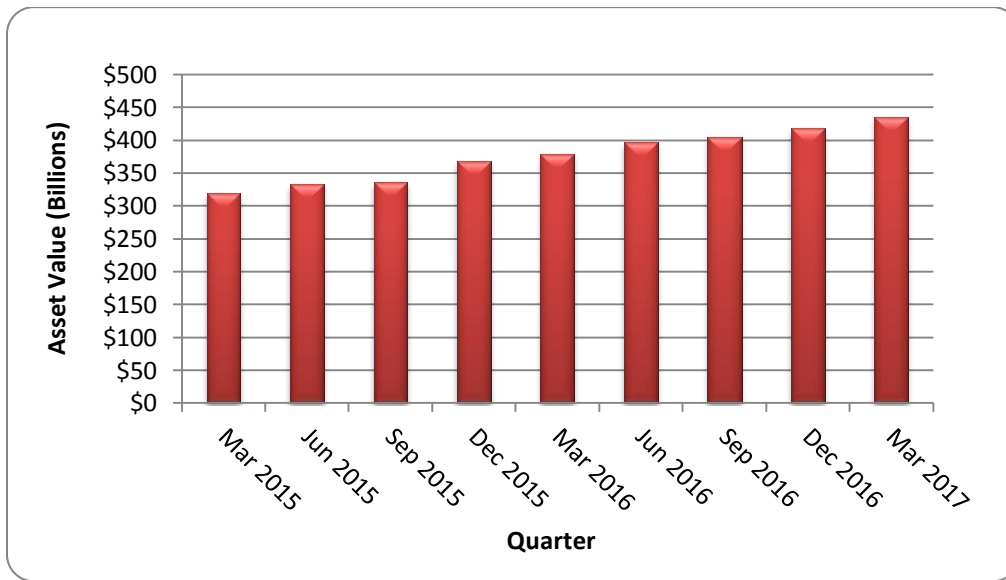
### Active Plans by Type

As illustrated in Table 5, funds accounted for approximately 97% of the number of active plans and 94% of total assets. The retirement scheme sub-sector reported strong membership growth of 7.37% during the quarter and remains the growth area in the pension industry. The assets of schemes increased by 6.91% to \$26.45 billion; compared to the 4.11% increase recorded by funds (See Charts 3 & 4).

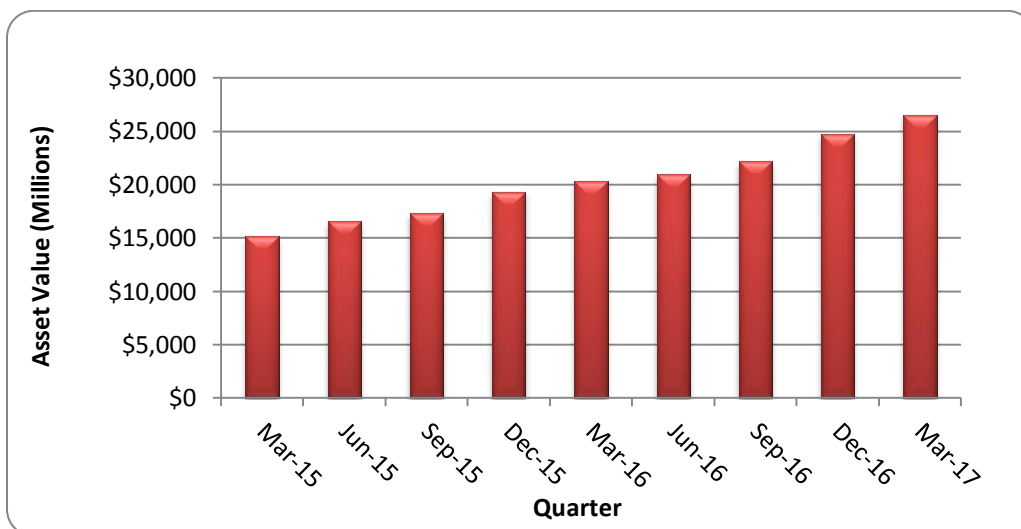
**Table 5: Active Plans by Type as at March 31, 2017**

	Number of Active Plans	%age of Plans	Number of Members	%age of Membership	Asset Value (\$'000)	%age of Asset Value
Retirement Schemes	13	3.23	49,706	44.36	26,450,961	5.73
Superannuation Funds	390	96.77	62,342	55.64	435,362,295	94.27
<b>TOTAL</b>	<b>403</b>	<b>100.00</b>	<b>112,048</b>	<b>100.00</b>	<b>461,813,256</b>	<b>100.00</b>

**Chart 3: Asset Values for Active Superannuation Funds**



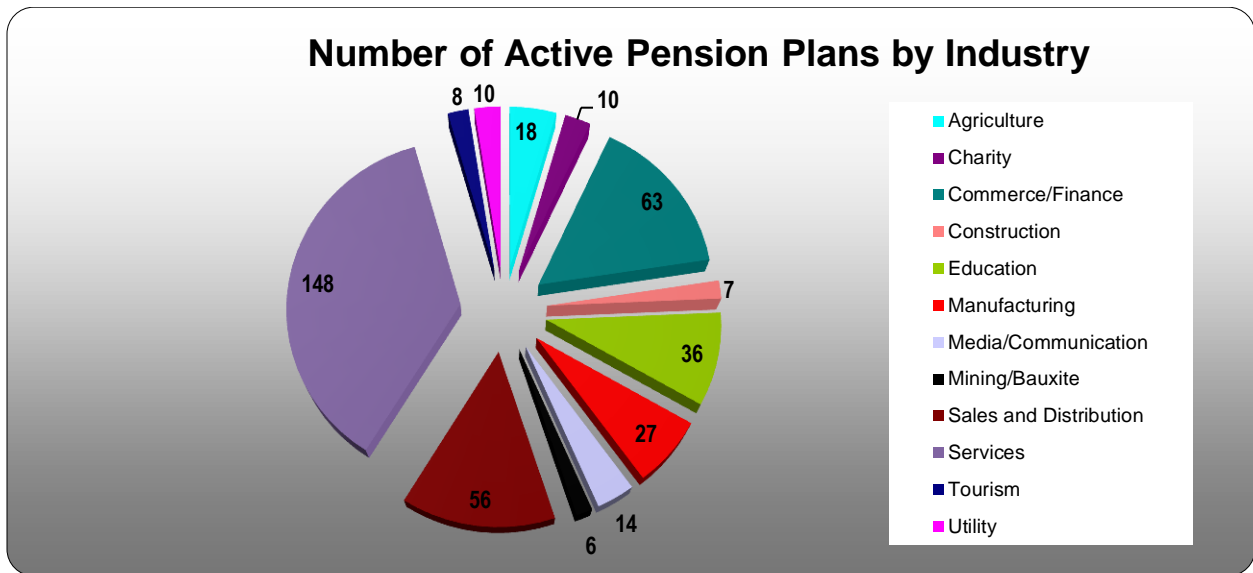
**Chart 4: Asset Values for Active Retirement Schemes**



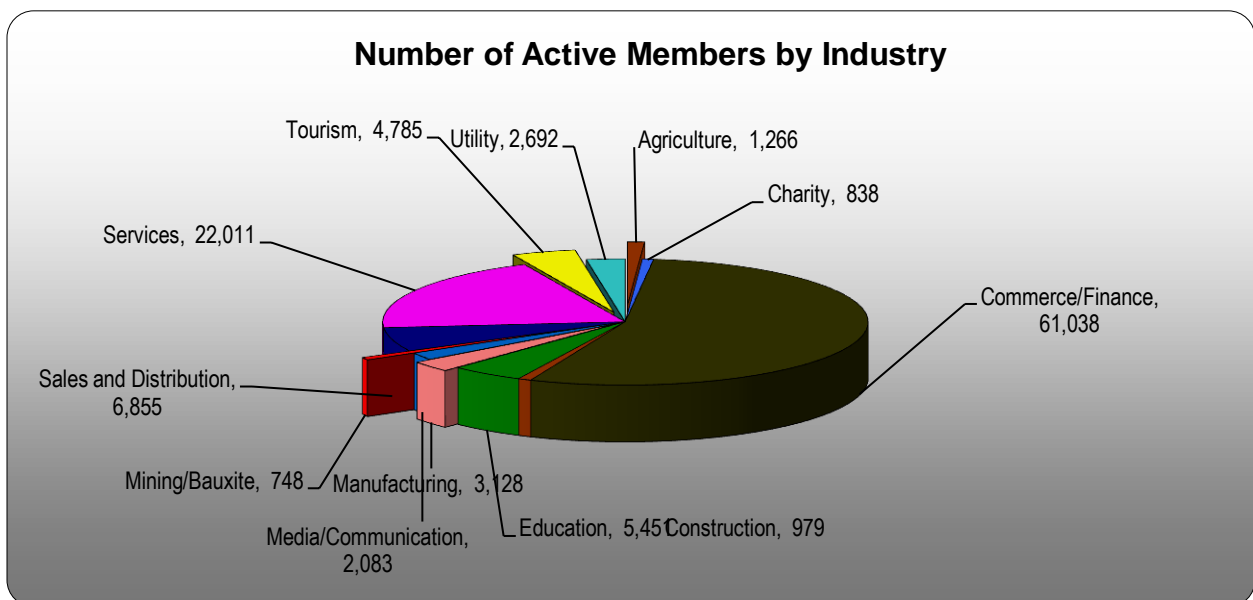
### Active Plans by Industry

The Commerce and Finance Industry accounted for 54.47% of active members and 40.50% of the pension industry assets at March 31, 2017 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 19.64% of the active members and 16% of assets of active plans. Charts 5 - 7 illustrate the breakdown of the number of active plans, the membership and the asset values by industry as at March 31, 2017.

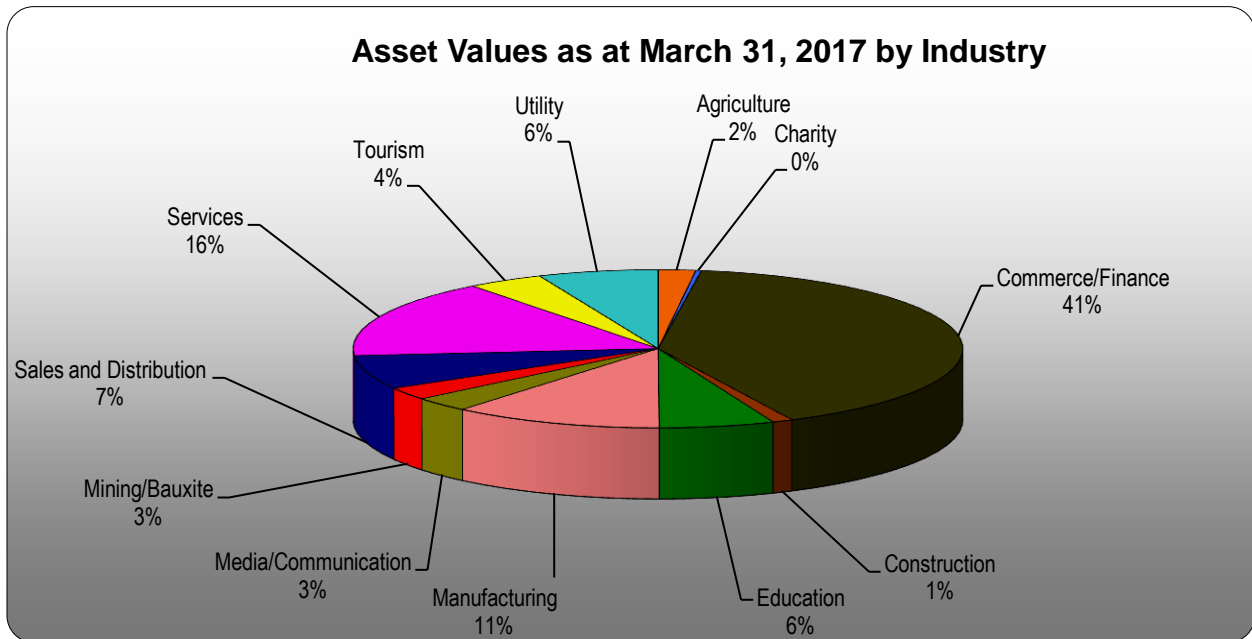
**Chart 5: Number of Active Plans by Industry**



**Chart 6: Number of Active Members by Industry**



**Chart 7: Asset Values by Industry**



**Solvency of Active Pension Plans**

Three hundred and ninety (390) plans, representing 97% of the 403 active plans have submitted solvency data; analysis of the data shows that as at March 31, 2017, 94% 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% of defined contribution pension plans were solvent compared to 91% 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, 2017**

	Number of plans	Solvency Level				% of plans which are solvent
		Less than 100%	Between 100% & 120%	Between 120% & 150%	Greater than 150%	
<b>Defined Benefit</b>	102	9	28	28	37	91
<b>Defined Contribution</b>	288	16	191	60	21	94
<b>Total</b>	<b>390</b>	<b>25</b>	<b>219</b>	<b>88</b>	<b>58</b>	<b>94</b>

## Inactive Pension Plans

During the quarter the membership of the inactive plans declined by approximately 58%; notwithstanding an increase in the value of the assets of inactive pension plans. (See: Table 7).

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

	March 2017	December 2016	September 2016
<b>Number of Plans</b>			
Defined Benefit	4	4	4
Defined Contribution	12	12	12
<b>Total Inactive Plans</b>	<b>16</b>	<b>16</b>	<b>16</b>
<b>Membership</b>			
Defined Benefit	894	2,226	2,226
Defined Contribution	55	52	52
<b>Total Membership</b>	<b>949</b>	<b>2,278</b>	<b>2,278</b>
<b>Asset Values</b>			
Defined Benefit (\$'000)	186,461	174,712	168,656
Defined Contribution (\$'000)	46,372	45,724	93,793
<b>Total Asset Values (\$'000)</b>	<b>232,833</b>	<b>220,436</b>	<b>262,449</b>

## Terminating Plans

During the December quarter one superannuation fund initiated termination proceedings and another was reclassified as terminating. The result was an increase in the number of terminating plans to 383 or approximately 48% of the total pension private plans. The total asset values for the terminating plans stood at \$10.88 billion (See Table 8).

**Table 8: Terminating Pension Plans by Type**

	March 2017	December 2016	September 2016
<b>Number of Plans</b>			
Defined Benefit	87	86	85
Defined Contribution	296	295	290
<b>Total Terminating Plans</b>	<b>383</b>	<b>381</b>	<b>375</b>
<b>Membership</b>			
Defined Benefit	965	4,355	4,341
Defined Contribution	1,097	1,845	998
<b>Total Membership</b>	<b>2,062</b>	<b>6,200</b>	<b>5,339</b>
<b>Asset Values</b>			
Defined Benefit (\$'000)	3,931,308	3,107,399	3,023,847
Defined Contribution (\$'000)	6,946,011	6,861,334	7,128,214
<b>Total Asset Values (\$'000)</b>	<b>10,877,319</b>	<b>9,968,733</b>	<b>10,152,061</b>



## Investment Managers

There was no change in the number of investment managers during the period and there remain 26 licensed investment managers. Life insurance companies represent 12% however they account for 53% of total private pension assets. Life insurance companies and securities dealers account for 92% of the private pension industry assets. Credit unions and building societies with the least amount of licensed entities accounted for the smallest market share with less than one % of private pension assets (See Table 9).

**Table 9: Total Assets Under Management of Investment Managers**

Investment Managers	Number of Entities Mar 2017	Asset Values Mar 2017 <sup>3</sup> (\$'000)	Number of Entities Dec 2016	Asset Values Dec 2016 (\$'000)	Number of Entities Sep 2016	Asset Values Sep 2016 (\$'000)
Insurance Companies	3	248,802,799	3	239,728,468	3	231,173,340
Securities	16	187,520,443	16	178,496,892	16	168,823,912
Credit Unions/ Building Societies	2	387,650	2	364,517	2	349,579
Other	5	36,212,516	5	34,504,993	5	37,719,597
<b>Total</b>	<b>26</b>	<b>472,923,408</b>	<b>26</b>	<b>453,094,870</b>	<b>26</b>	<b>438,066,428</b>

## Risk Outlook

The Jamaican economy recorded negligible growth during the quarter with quarterly inflation of 1% which was fuelled by increases in international crude oil prices. The short term growth outlook for the Jamaican economy, according to the Planning Institute of Jamaica ("PIOJ"), remains positive as the PIOJ forecasts that the economy will grow in real terms by 0.5 – 1.5% during the June 2017 quarter.

Unemployment rate stood at 12.7%, down from the previous quarter as 4,900 persons entered the workforce. The unemployment rate continues to trend downward when compared with previous years (13.3 % as at January 2016). Growth returned to the retirement scheme segment, as 3,411 persons joined a retirement scheme during the quarter. 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 indicated previously individuals will be assessing the effects of the new government taxation measures on their disposable incomes particularly, those in the lower income brackets. Lowering disposable income levels could stymie growth in the retirement scheme segment as the trade-off between current consumption and retirement saving will have to be contemplated. The effects of these measures are expected to be felt in the medium to long term.

The Jamaica dollar remained relatively stable during the quarter which is reflective of the marginal appreciation of the value of foreign currency denominated assets in the pension industry. Given that foreign currency denominated assets represent approximately 9% of invested pension assets, significant foreign currency risk exposure continues to exist.

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

The BOJ has indicated that Jamaica is experiencing broad economic stability, low inflation, a sustainable current account, a stable and competitive exchange rate, falling interest rates and expanding credit to businesses and households and had entered a new paradigm of economic development. This economic stability is reflected in the local stock market which continues to expand, with a quarterly increase of 14.1% in the main market. Eighteen percent of the private pension assets are invested in equities indicating the increasing appetite of the private pension industry for investment in the real economy. The performance of the local stock market continues to provide investment opportunities for pension plans which need to diversify their portfolios and reduce counter party risk exposure.

Pooled arrangements are the most important asset class in which pension plans are invested and it is expected that this growth will continue as the pension plans share the investment risks with each other by moving from direct investments to the indirect investment opportunities provided by pooled arrangements. Underlying the assets of these pooled arrangements are significant exposures to Jamaican sovereign debt and stock and shares. These asset classes represent the most significant investment risk exposure for pension plans.

The changes in the economic climate are accompanied by their own emerging risks particularly in a low interest rate environment. Trustees and investment managers will ultimately seek higher yielding assets by investing in alternative investments.

The economic stability being experienced by the country could be arrested if the present crime situation is not adequately addressed. In addition to the social effects of criminal activities, there are implications for the growth of the private pension industry; as companies are already increasing capital spending on the security of its employees as opposed to providing for their retirement benefits. For individuals interested in joining a retirement scheme, consumption spending on the security of their families will upset their desire to have consumption smoothing and ultimately save for retirement.

As the FSC continues to work within the Jamaican construct and monitors and supervises 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 Statements of Investment Policies and Principles.

## **Summary**

The private pension industry continues to be stable; with the country entering a period of economic and financial stability. During the review quarter, the number of active pension plans decreased by two, when compared with the December 2016 quarter. Despite this, the number of Jamaicans participating in active private pension arrangements increased by 5%, as 5,388 new persons are participating in some form of private pension arrangement. This growth is consistent with the expansion of the Jamaican employed workforce and the current economic stability.

The total assets in the private pension industry continues to grow and the solvency levels of pension plans remained adequate.