

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

**Overview**

As at September 30, 2017 there were eight hundred and five (805) pension plans<sup>1</sup>. Pension coverage in Jamaica now stands at 9.45% of the employed labour force as a result of no growth in plan membership coupled with an increase in the employed labour force as at July 31, 2017. Nevertheless, total private pension assets increased nominally by 6% to \$513.35 billion quarter over quarter. (See: Table 1).

**Table 1: Key Statistics**

	September 2017	June 2017	March 2017
<b>Number of Plans</b>	805	805	802
<b>Asset Values (\$'000)</b>	513,345,327	482,817,081	472,923,407
<b>Total Membership</b>	114,968	114,968	115,059

**Investment Mix**

The popularity of investment in pooled arrangement among the trustees of superannuation funds (“funds”) and retirement schemes (“schemes”) in Jamaica continues during the September 2017 quarter as investment arrangements comprised approximately 38% 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 32% of these investment arrangements as at September 2017, a significant 20% decline compared with the previous quarter. Stocks and shares continue to represent 33% of the portfolio of these investment arrangements, and is now the most important asset class within these investment arrangements. The quarter over quarter growth areas within investment arrangements are repurchase agreements (269%); real estate (74%) and non-mortgage loans (36%). A combination of the performances of these asset classes resulted in the appreciation of the values of investment arrangements to \$195.14 billion.

Investment within the pension industry continues to shift away from direct holdings of securities of governments to investment arrangements as well as equities. Direct holdings of securities of governments comprised approximately 26% of total investments as at September 30, 2017; this reflects the continued reduction in the total value held as a percentage of the portfolio mix, with a corresponding contraction to \$133.75 billion, as shown in Table 2 and Chart 1.

Equity investments within the pension sector continue its steady growth with a 16% increase in the value of stocks and shares within the pension portfolio. Direct equity investment is valued at \$104.29 billion; stocks and shares now

<sup>1</sup> This number includes pension plans which are active, terminating and those that are inactive. There were two new pension plans, as well as a revision by disaggregation of two pension plans with similar names.

represent 20% of industry assets and as indicated above exists prominently in the portfolios of investment arrangements.

Direct investments in repurchase agreements grew significantly by 12%, contributing just over 4% of the pension investment portfolio. The direct and indirect growth in repurchase agreements has reversed a recent decline in investments in this asset class.

Direct holdings of real estate continue to experience marginal declines and now represent less than 4% of industry assets.

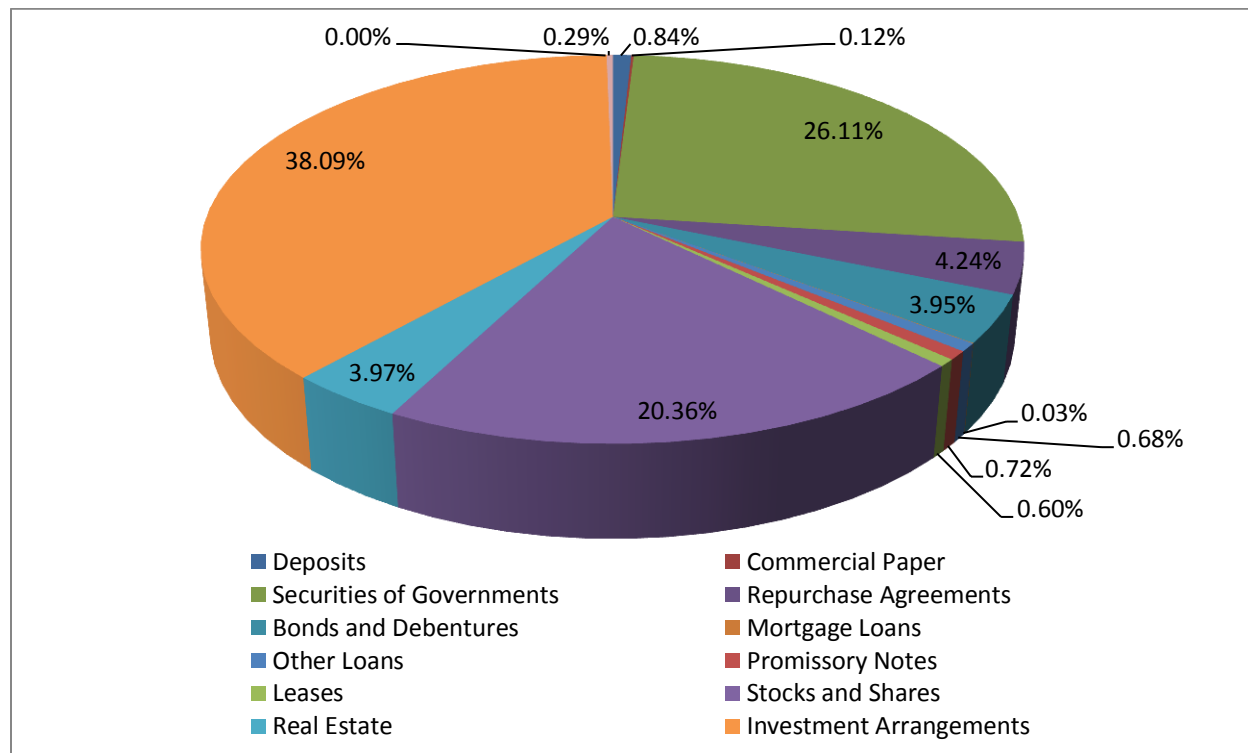
**Table 2: Aggregate Investment Mix**

Types of Investment	Amount Invested \$'000	% of Total Investments	Amount Invested \$'000	% of Total Investments	Amount Invested \$'000	% of Total Investments
	Sep-17		Jun-17		Mar-17	
Deposits	4,295,975.14	0.84%	2,929,123.07	0.57%	3,199,719.93	0.68%
Commercial Paper	590,503.00	0.12%	347,598.67	0.07%	272,461.00	0.06%
Securities of Governments	133,753,721.00	26.11%	136,672,659.66	26.68%	139,864,541.91	29.62%
Repurchase Agreements	21,744,384.00	4.24%	19,404,190.87	3.79%	16,319,024.48	3.46%
Bonds and Debentures	20,243,604.41	3.95%	19,565,106.92	3.82%	19,310,546.76	4.09%
Mortgage Loans	162,035.00	0.03%	170,518.00	0.03%	147,471.00	0.03%
Other Loans	3,488,142.00	0.68%	3,806,229.00	0.74%	3,521,351.00	0.75%
Promissory Notes	3,693,301.41	0.72%	4,291,645.74	0.84%	3,888,619.34	0.82%
Leases	3,054,681.03	0.60%	2,904,361.44	0.57%	2,905,371.87	0.62%
Stocks and Shares	104,298,896.04	20.36%	89,825,171.90	17.53%	86,648,747.38	18.35%
Real Estate	20,314,651.25	3.97%	21,127,662.00	4.12%	21,814,324.00	4.62%
Investment Arrangements	195,144,496.32	38.09%	179,350,067.86	35.01%	171,951,494.23	36.42%
Derivatives	0.00	0.00%	0.00	0.00%	0.00	0.00%
Other Investments	1,499,487.26	0.29%	2,704,499.20	0.53%	2,346,995.89	0.50%
<b>Total Investments</b>	<b>512,283,877.85</b>	<b>100.00%</b>	<b>483,098,834.33</b>	<b>94.30%</b>	<b>472,190,668.79</b>	<b>100.00%</b>
Other Net Assets	1,061,449.46		-281,753.03		732,738.11	
<b>Total Assets</b>	<b>513,345,327.31</b>		<b>482,817,081.30</b>		<b>453,094,869.69</b>	

*Note: June 2017 has been re-stated.*

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

**Chart 1: Aggregate Investment Mix**



**Active Pension Plans**

As at September 30, 2017, the number of active pension plans accounted for 49.57% of the total private pension industry with assets of \$502.13 billion. There were 399 active plans, three less than the previous quarter (See Tables 3 & 4). This was the result of three active funds initiating winding-up proceedings. As a result, there was a decrease in the active membership in private pension arrangements in Jamaica during the quarter. Membership in active pension plans as at September 30, 2017 covered 9.19% of the Jamaican employed labour force<sup>2</sup>, a decrease when compared to the June quarter attributable to a combination of the decrease in membership in active plans and an increase in the employed labour force (see chart 2).

**Table 3: Membership**

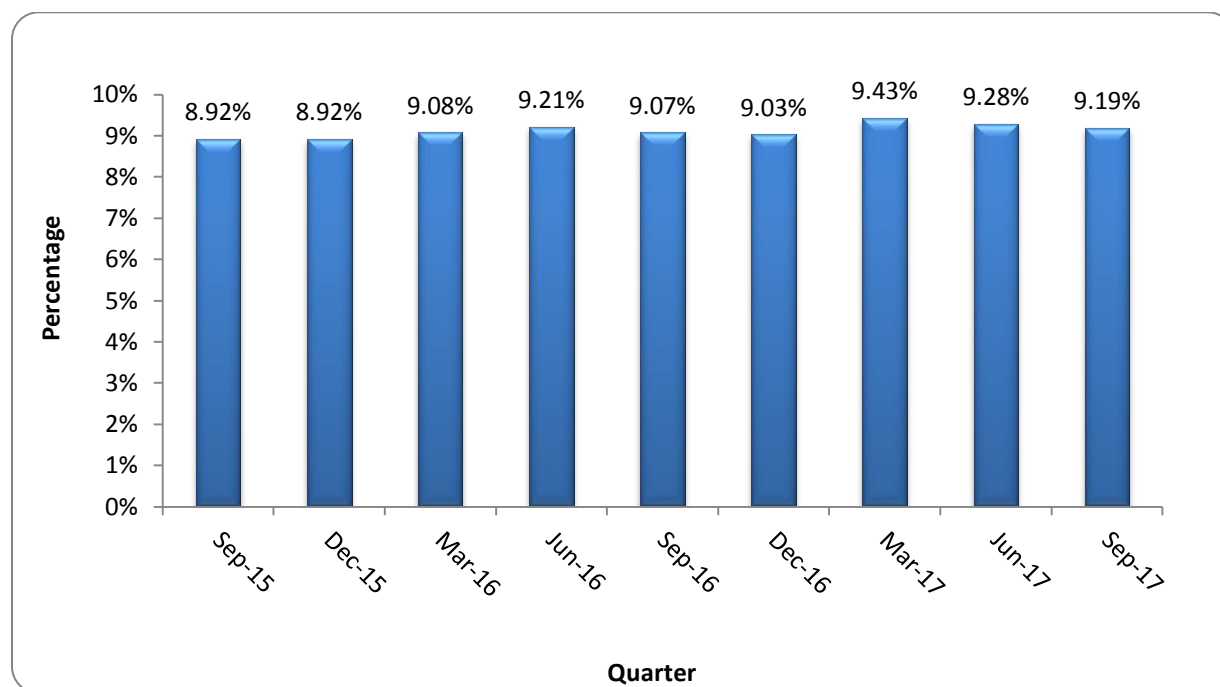
	September 2017	June 2017	March 2017
<b>Number of Active Plans</b>	399	402	403
<b>Active Membership</b>	111,720	111,761	112,048

<sup>2</sup> The Jamaican employed labour force as at July 31, 2017 was 1,216,200 according to the Statistical Institute of Jamaica (stainja.gov.jm).

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

	September 2017	June 2017	March 2017
<b>Number of Plans</b>			
Defined Benefit	99	101	104
Defined Contribution	300	301	299
<b>Total Active Plans</b>	<b>399</b>	<b>402</b>	<b>403</b>
<b>Membership</b>			
Defined Benefit	20,618	20,662	21,177
Defined Contribution	91,102	91,099	90,871
<b>Total Membership</b>	<b>111,720</b>	<b>111,761</b>	<b>112,048</b>
<b>Assets Values</b>			
Defined Benefit (\$'000)	316,212,299	307,198,676	300,783,567
Defined Contribution (\$'000)	185,918,759	167,692,762	161,029,689
<b>Total Asset Values (\$'000)</b>	<b>502,131,058</b>	<b>474,891,438</b>	<b>461,813,256</b>

**Chart 2: Active Membership in Private Pension Arrangements as a Percentage of Employed Labour Force**



**Active Plans by Type**

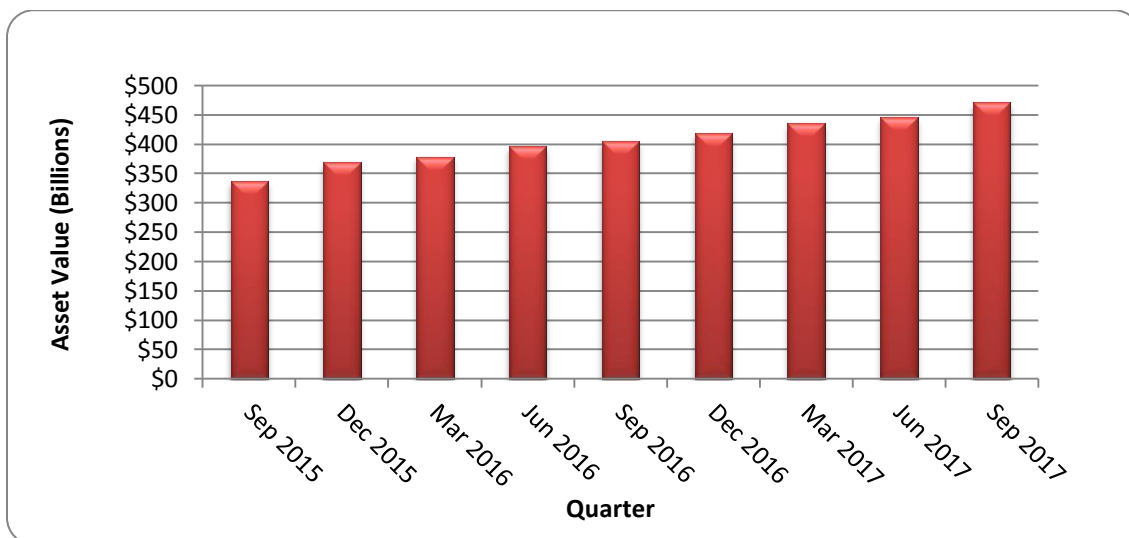
As illustrated in Table 5, funds accounted for approximately 97% of the number of active plans and 94% of total assets. The retirement scheme sub-sector reported no growth in membership during the quarter versus a negligible

decline in the membership in funds. The assets of schemes increased by 8.80% to \$31.13 billion; compared to the 5.54% increase recorded by funds (See Charts 3 & 4).

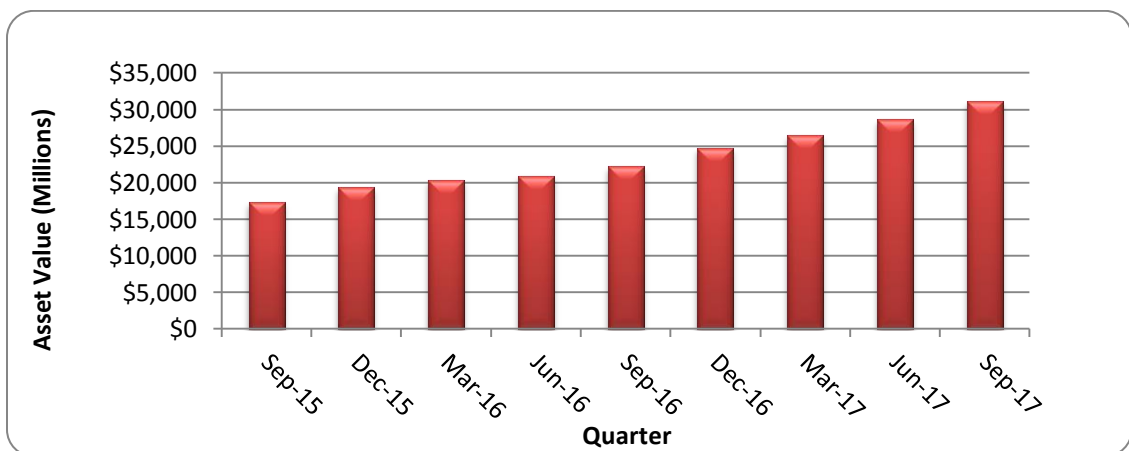
**Table 5: Active Plans by Type as at September 30, 2017**

	Number of Active Plans	Percentage of Plans	Number of Members	Percentage of Membership	Asset Value as at Sept 30, 2017	Percentage of Asset Value
<b>Retirement Schemes</b>	13	3.26%	49,831	44.60%	31,128,893,964	6.20%
<b>Superannuation Funds</b>	386	96.74%	61,889	55.40%	471,002,163,659	93.80%
<b>TOTAL</b>	<b>399</b>	<b>100.00%</b>	<b>111,761</b>	<b>100.00%</b>	<b>502,131,057,623</b>	<b>100.00%</b>

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



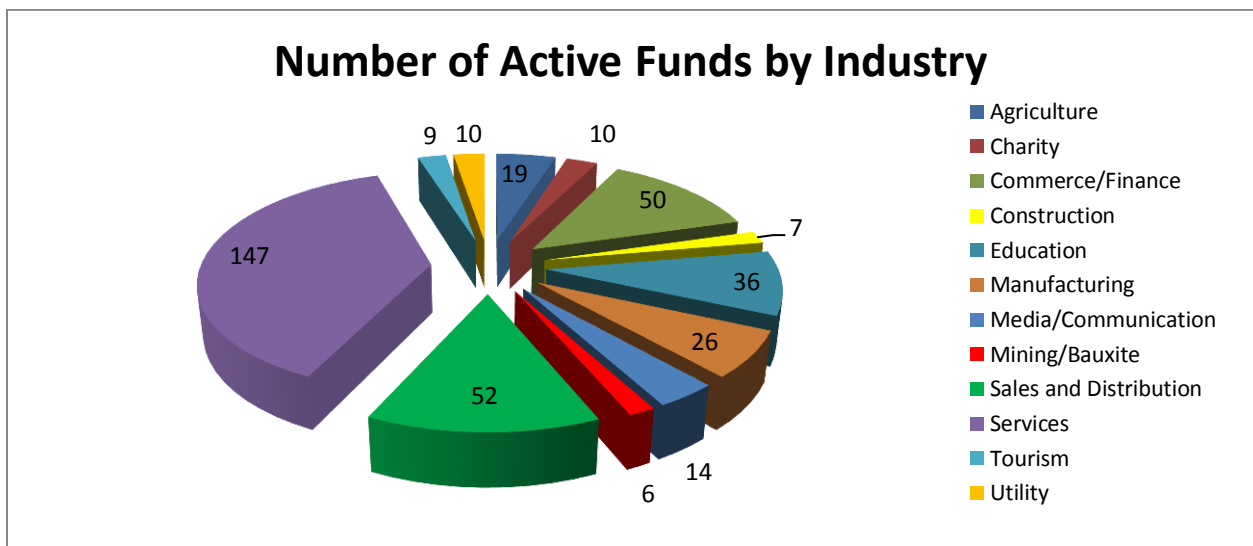
**Chart 4: Asset Values for Active Retirement Schemes**



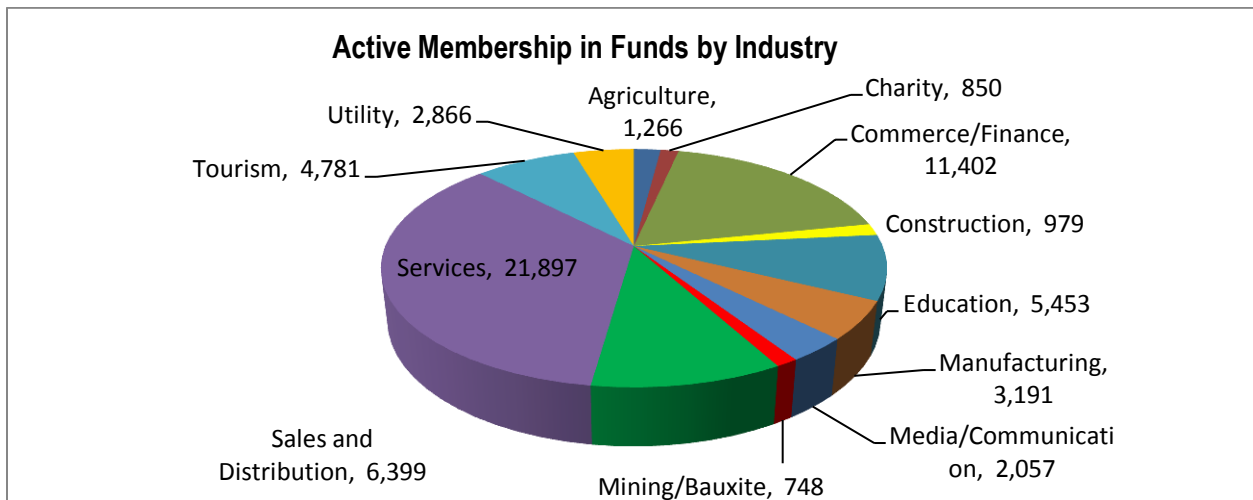
### Active Superannuation Funds<sup>3</sup> by Industry

The Services Industry accounted for 35.38% of active members and 17.31% of the pension industry assets at September 30, 2017 representing the largest share of active members and second largest share of pension assets for active superannuation funds. Inversely, the Commerce and Finance Industry has the second largest share of membership with 18.42% of the active members, and the largest share of assets with 36.60% of assets of active plans. Charts 5 - 7 illustrate the breakdown of the number of active funds, the membership and the asset values by industry as at September 30, 2017.

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

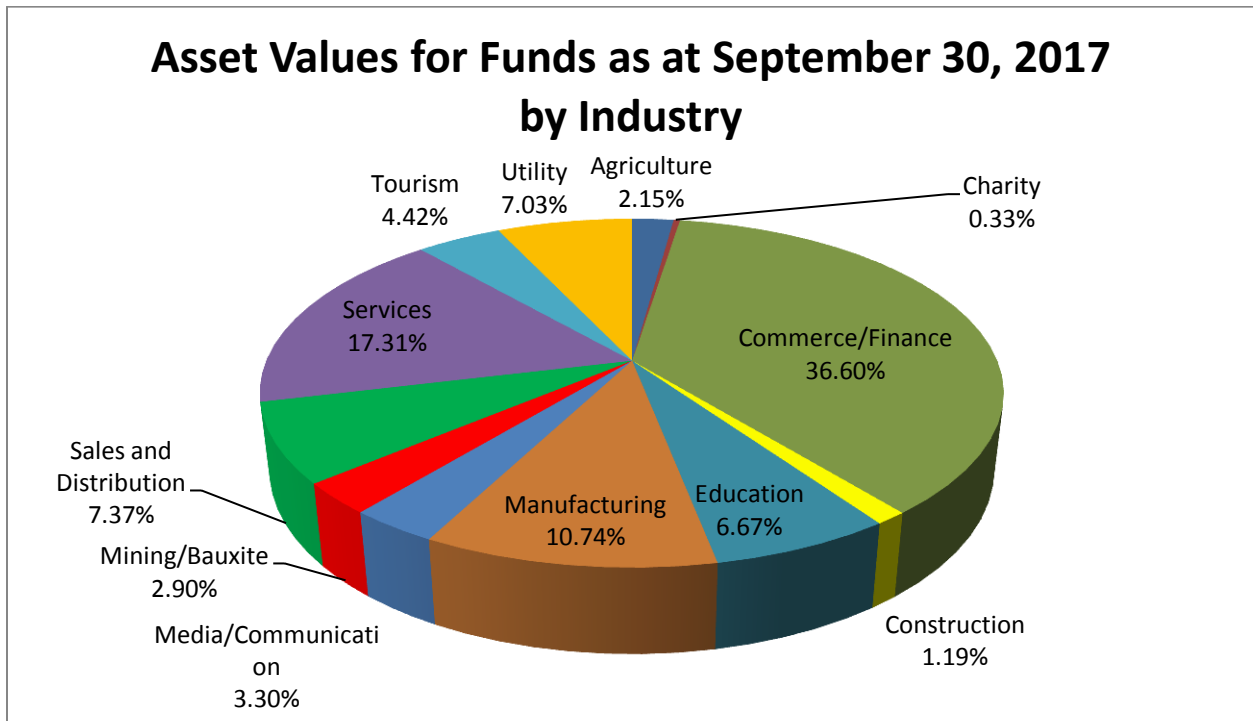


**Chart 6: Number of Active Members by Industry**



<sup>3</sup> Previous reports were based on all active plans – both funds and schemes – with members of schemes designated to the “Commerce/Finance” industry.

[Chart 7: Asset Values by Industry](#)



### **Solvency of Active Pension Plans**

Three hundred and eighty-four (384) plans, representing 96% of the 399 active plans have submitted solvency data; analysis of the data shows that as at September 30, 2017, 93% of all active pension plans, for which there was available data, 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 September 30, 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>	98	9	25	28	36	91
<b>Defined Contribution</b>	286	17	193	54	22	94
<b>Total</b>	<b>384</b>	<b>26</b>	<b>218</b>	<b>82</b>	<b>58</b>	<b>93</b>

## Inactive Pension Plans

During the quarter the membership of the inactive plans remained stable, notwithstanding a decrease in the value of the assets of inactive pension plans. (See: Table 7).

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

	September 2017	June 2017	March 2017
<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	894	894
Defined Contribution	55	55	55
<b>Total Membership</b>	<b>949</b>	<b>949</b>	<b>949</b>
<b>Asset Values</b>			
Defined Benefit (\$'000)	128,381	184,061	186,462
Defined Contribution (\$'000)	51,818	47,645	46,372
<b>Total Asset Values (\$'000)</b>	<b>179,199</b>	<b>231,705</b>	<b>232,834</b>

## Terminating Plans

During the September quarter, three superannuation funds initiated termination proceedings. The result was an increase in the number of terminating plans to 390, representing approximately 49% of the total pension private plans. The total asset value for the terminating plans declined to \$11.04 billion (See Table 8).

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

	September 2017	June 2017	March 2017
<b>Number of Plans</b>			
Defined Benefit	91	90	87
Defined Contribution	299	297	296
<b>Total Terminating Plans</b>	<b>390</b>	<b>387</b>	<b>383</b>
<b>Membership</b>			
Defined Benefit	1,429	1,401	965
Defined Contribution	870	857	1,097
<b>Total Membership</b>	<b>2,299</b>	<b>2,258</b>	<b>2,062</b>
<b>Asset Values</b>			
Defined Benefit (\$'000)	3,299,753	3,297,733	3,931,307
Defined Contribution (\$'000)	7,735,317	4,396,205	6,946,010
<b>Total Asset Values (\$'000)</b>	<b>11,035,070</b>	<b>7,693,938</b>	<b>10,877,317</b>



## Investment Managers

The number of licensed investment managers as at September 30, 2017 remained at 27. Life insurance companies represent 11.54% of these entities, however they account for 54% of total private pension assets. Life insurance companies and securities dealers account for approximately 93% of the private pension industry assets. Credit unions, with the smallest number of licensed entities, accounted for the smallest market share with less than 1% of private pension assets (See Table 9).

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

Investment Managers	Number of Entities Sep 2017	Asset Values Sep 2017 <sup>4</sup> (\$'000)	Number of Entities Jun 2017	Asset Values Jun 2017 (\$'000)	Number of Entities Mar 2017	Asset Values Mar 2017 (\$'000)
Insurance Companies	3	277,186,525	3	254,013,714	3	248,802,798
Securities Dealers	17	198,277,843	17	191,425,428	16	187,520,443
Credit Unions	1	423,264	1	402,884	2	387,650
Other	6	37,457,695	6	36,975,056	5	36,212,516
<b>Total</b>	<b>27</b>	<b>513,345,327</b>	<b>27</b>	<b>482,817,081</b>	<b>26</b>	<b>472,923,407</b>

## Risk Outlook

The Statistical Institute of Jamaica has indicated that the Jamaican economy grew by 0.8% in the September quarter when compared with September 2016, reversing the one quarter contraction recorded in June 2017. This growth was buoyed by the services industry (1.0%) in particular the hotel and restaurant subsector which recorded a 3.9% increase. When compared with the June 2017 quarter, the Jamaican Gross Domestic Product (“GDP”) grew by 1.4%; partially attributable to a quarterly 2.0% increase in the goods producing industries and a 1.2% rise in the services industry. The Planning Institute of Jamaica (“PIOJ”) has forecasted that real GDP for the December 2017 quarter will grow within the range of 1.5% - 2.5%. In addition, the PIOJ has identified the primary risks to the Jamaican economy as: slower than anticipated global economic growth; weather related shocks; and the potential for industrial unrest associated with public sector wage negotiations.

Inflation for the quarter stood at 1.6%. The Bank of Jamaica (“BOJ”) has indicated that the Government of Jamaica, through the Ministry of Finance and the Public Service, has given it the mandate for medium-term inflation targeting. Under this inflation-targeting regime the Minister has set an inflation range of 4.0 – 6.0%. As a consequence the BOJ will adjust its monetary policy with this in mind and allow monetary policy to be harmonized with the Government’s fiscal policy.

The weighted average selling rate of the US dollar versus the Jamaica dollar reflected minor depreciation in the values of the Jamaica dollar of 0.85% for the quarter. The effects of the implementation of the BOJ’s Foreign Exchange Intervention Trading Tool (“B-FXITT”) are expected to reverberate in the market in the coming quarters. B-FXITT will allow for greater transparency and liquidity in the foreign exchange market through the BOJ’s sale of pre-announced amounts of foreign exchange in the market, supplemented by flash interventions in abnormal market conditions. The BOJ has indicated that B-FXITT will allow fluctuation in the Jamaica dollar around a fairly valued

<sup>4</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.

exchange rate given the current economic climate. Foreign currency denominated assets represents 5.65% of invested pension assets; down by 22.90% from the previous quarter. Notwithstanding this marked decline in the value of foreign currency assets, the Jamaican pension industry is still significantly exposed to foreign currency risks and as such, management of foreign currency risks continues to be key to the viability of pension arrangements.

Twenty percent of the private pension assets are directly invested in equities, indicating the continued increasing appetite of the private pension industry for investment in the real economy. The Jamaica Stock Exchange ("JSE") Main Index advanced by 27,686 points during the third quarter of 2017; this represented a growth rate of approximately 12%. Subsequent to the September quarter, five companies issued equity securities to the Jamaican public. These issues, four ordinary and one preference share issues, were all oversubscribed underlining the appetite of the market for equities. The performance of the local stock market continues to provide investment opportunities for pension plans which need to diversify their portfolios and reduce counterparty 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 benefit from economies of scale and 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 unemployment rate stood at 11.3%, the lowest quarterly rate recorded since July 2009 as 11,400 individuals gained employment during the quarter. The BOJ has issued a caution that employment is growing faster than the labour force and that Jamaica is beginning to approach its capacity limits in terms of skilled labour. It should be noted that despite the growth in the employed labour force there was no growth in the retirement scheme segment during the quarter. Needless to say that there are opportunities for growth in this subsector as the labour force continue to swell, particularly with the PIOJ reporting that youth (14-24 years) unemployment rate declined by 2.1% 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.

The economic stability being experienced by the country is at risk of being 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 their 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, in the context of a positive, long-term outlook for macroeconomic indicators. Notwithstanding the termination of three pension plans the asset values showed steady growth and the growth in the employed labour force provides an opportunity for active membership growth within the industry which recorded a quarter over quarter decline. In addition to the asset growth, the current solvency levels of pension plans remained adequate during the quarter and it is anticipated that these will improve even further as the economic indicators continue to point in the right direction.