

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

*Overview*

As at December 31, 2017, there were eight hundred and six (806) pension plans<sup>1</sup>; one more plan than reported in September 2017. Pension membership grew marginally during the quarter, and coupled with a decline in the employed labour force there was an increase in private pension coverage, which stood at 9.4%. The total private pension assets increased nominally by 3% to \$528.3 billion, quarter over quarter. (See: Table 1).

[Table 1: Key Statistics](#)

	December 2017	September 2017	June 2017
Number of Plans	806	805	805
Asset Values (\$'000)	528,319,167	513,345,326 <sup>2</sup>	482,817,081
Total Membership	116,171	114,968	114,968

*Investment Mix*

In Jamaica, pooled investment arrangements are the preferred investment choice for pension plans. During the December 2017 quarter, investment arrangements accounted for 38% of total investments. These investment arrangements are a composition of pooled funds and deposit administration contracts, with significant investments in government securities. Approximately 32% of the investment arrangements portfolio is invested in government securities and a large portion (34%) in stocks and shares. Instruments such as real estate, repurchase agreements, and corporate bonds accounted for 13.6%, 7.5% and 5.5%, of investment arrangements, respectively. The performance of these assets over the quarter led to a 2.3% appreciation in the value of investment arrangements to \$199 billion.

The shift from direct holdings of government securities to investment arrangements and equities has continued throughout the quarter. As at December 31, 2017, direct holdings of equity investment encompassed approximately 21% (\$110.3 billion) of total investments. This reflects a growth of 5.7% in comparison to the previous quarter. Direct holding in real estate also showed an increase and now represents 4% of total investments. Direct holdings of government securities held steady around 26% of total investments. (See: Table 2 and Chart 1).

With 6% growth over the quarter, investments in bonds and debentures continued to increase. Direct investments in repurchase agreements declined significantly by 22.8%, contributing just over 3% of the pension investment portfolio.

Based on the above results, it appears that trustees of funds and schemes are taking steps to further diversify their pension investments.

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

<sup>2</sup> Note: Sept 2017 has been restated.

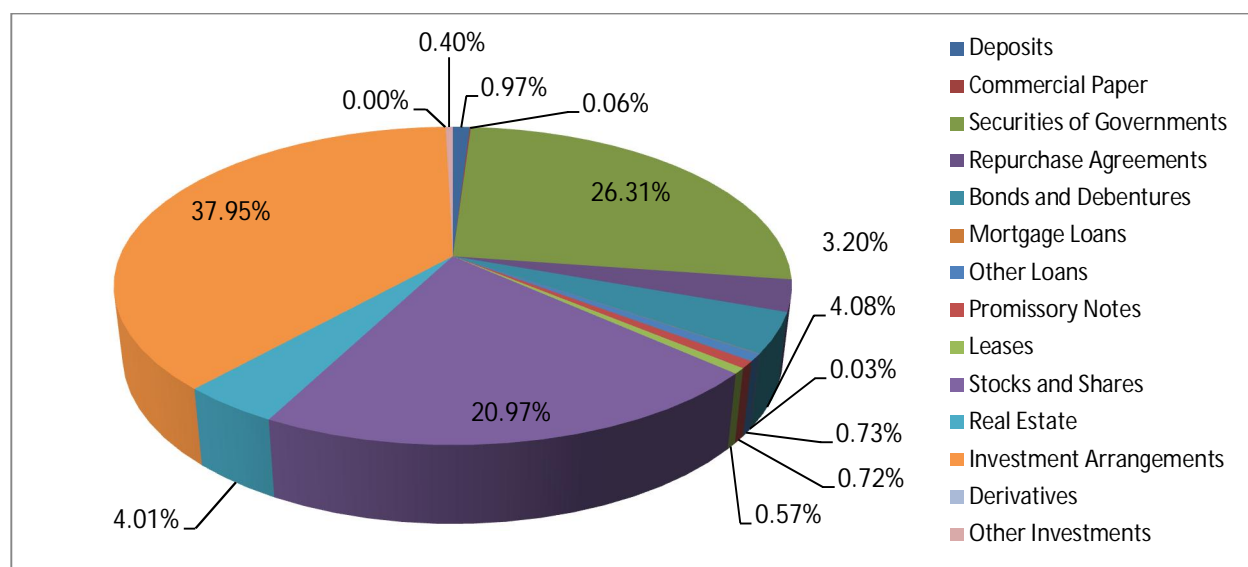
Table 2: Aggregate Investment Mix

Types of Investment	Amount Invested \$'000	% of Total Investments	Amount Invested \$'000	% of Total Investments	Amount Invested \$'000	% of Total Investments
	Dec-17		Sep-17		Jun-17	
Deposits	5,075,712.44	0.97%	4,295,975.47	0.84%	2,929,123.07	0.61%
Commercial Paper	339,436.01	0.06%	590,503.00	0.12%	347,598.67	0.07%
Securities of Governments	138,319,749.88	26.31%	133,753,721.32	26.11%	136,672,659.66	28.29%
Repurchase Agreements	16,802,648.76	3.20%	21,744,384.26	4.24%	19,404,190.87	4.02%
Bonds and Debentures	21,438,041.06	4.08%	20,243,604.06	3.95%	19,565,106.92	4.05%
Mortgage Loans	149,076.22	0.03%	162,035.38	0.03%	170,518.00	0.04%
Other Loans	3,853,113.98	0.73%	3,488,142.47	0.68%	3,806,229.00	0.79%
Promissory Notes	3,788,177.82	0.72%	3,693,301.69	0.72%	4,291,645.74	0.89%
Leases	3,007,335.94	0.57%	3,054,680.78	0.60%	2,904,361.44	0.60%
Stocks and Shares	110,264,404.11	20.97%	104,298,895.73	20.36%	89,825,171.90	18.59%
Real Estate	21,103,428.72	4.01%	20,314,651.30	3.97%	21,127,662.00	4.37%
Investment Arrangements	199,563,625.25	37.95%	195,144,496.30	38.09%	179,350,067.86	37.12%
Derivatives	0.00	0.00%	0.00	0.00%	0.00	0.00%
Other Investments	2,124,917.41	0.40%	1,499,487.26	0.29%	2,704,499.20	0.56%
Total Investments	525,829,667.58	100.00%	512,283,879.02	100.00%	483,098,834.33	100.00%
Other Net Assets	2,489,499.35		1,061,447.29		-281,753.03	
Total Assets	528,319,166.93		513,345,326.31		482,817,081.30	

Note: Sept 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 December 31, 2017, the number of active private pension plans accounted for 49.5% of the total private pension industry, with assets of \$520.6 billion. The number of active plans remained the same at the end of the period when compared to the previous quarter. Notwithstanding, there was an addition of one new pension plan, while another was reclassified as inactive (See Tables 3 & 4).

Active membership grew marginally during the quarter. Membership in active pension plans as at December 31, 2017 covered 9.4% of the Jamaican employed labour force<sup>3</sup>. This represents an increase when compared with the previous quarter (See Chart 2).

Table 3: Membership

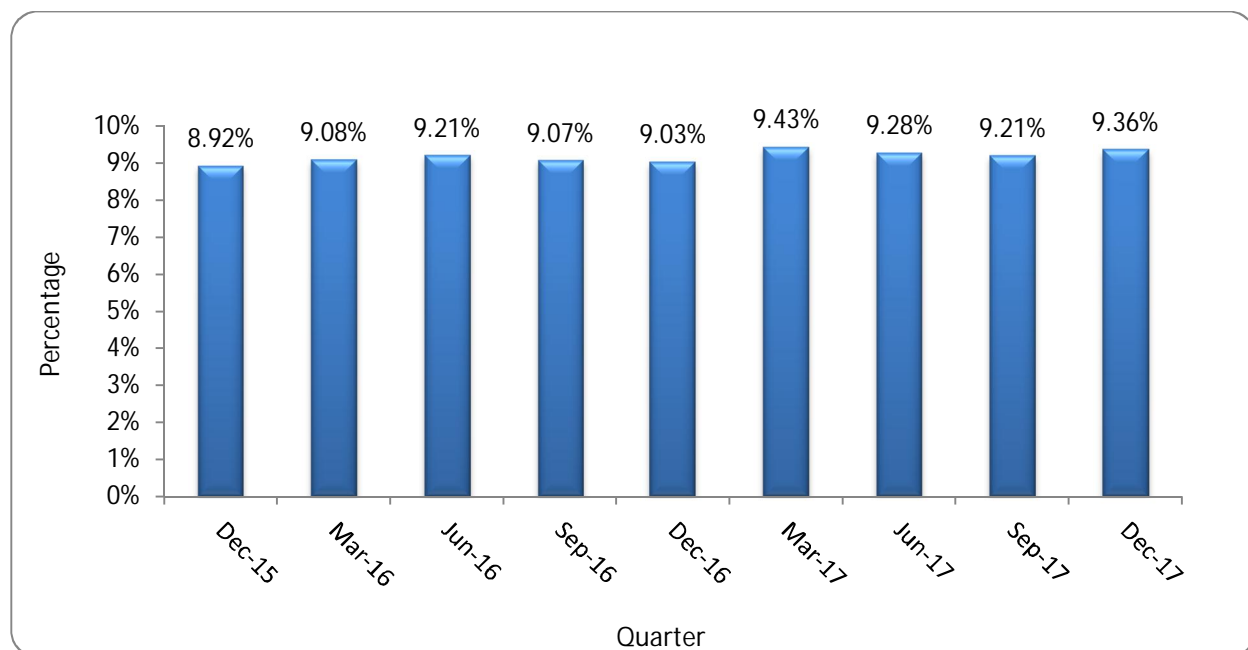
	December 2017	September 2017	June 2017
Number of Active Plans	399	399	402
Active Membership	116,171	111,720	111,761

Table 4: Active Pension Plans by Type

	December 2017	September 2017	June 2017
<b>Number of Plans</b>			
Defined Benefit	99	99	101
Defined Contribution	300	300	301
Total Active Plans	399	399	402
<b>Membership</b>			
Defined Benefit	21,103	20,618	20,662
Defined Contribution	91,817	91,102	91,099
Total Membership	112,920	111,720	111,761
<b>Assets Values</b>			
Defined Benefit (\$'000)	325,231,375	316,212,299	307,198,676
Defined Contribution (\$'000)	195,373,551	185,918,759	167,692,762
Total Asset Values (\$'000)	520,604,926	502,131,058	474,891,438

<sup>3</sup> The Jamaican employed labour force as at October 30, 2017 was 1,206,800 according to the Planning Institute of Jamaica (pioj.gov.jm).

[Chart 2: Active Membership in Private Pension Arrangements as a Percentage of Employed Labour Force](#)



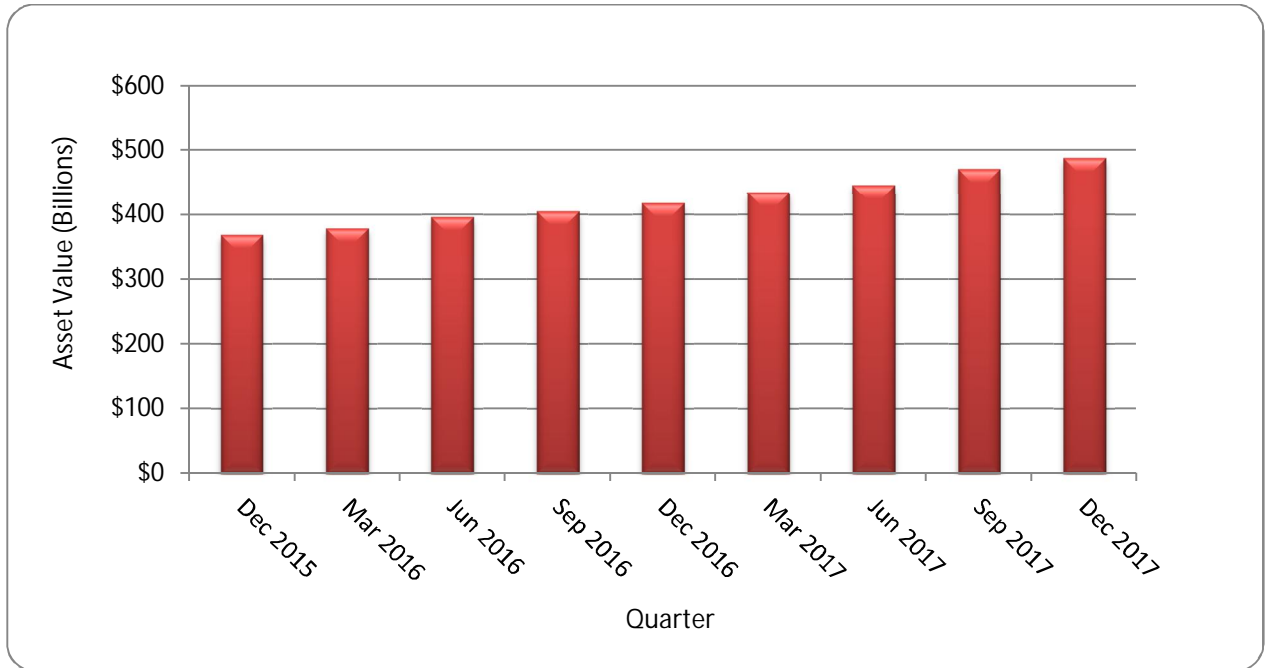
### Active Plans by Type

As illustrated in Table 5, superannuation funds accounted for approximately 97% of the number of active plans and 94% of total assets. Membership in superannuation funds and retirement schemes experienced marginal growth during the quarter. The assets of schemes increased by approximately 7% to \$33.3 billion; compared to the 3.5% increase recorded by funds (See Charts 3 & 4).

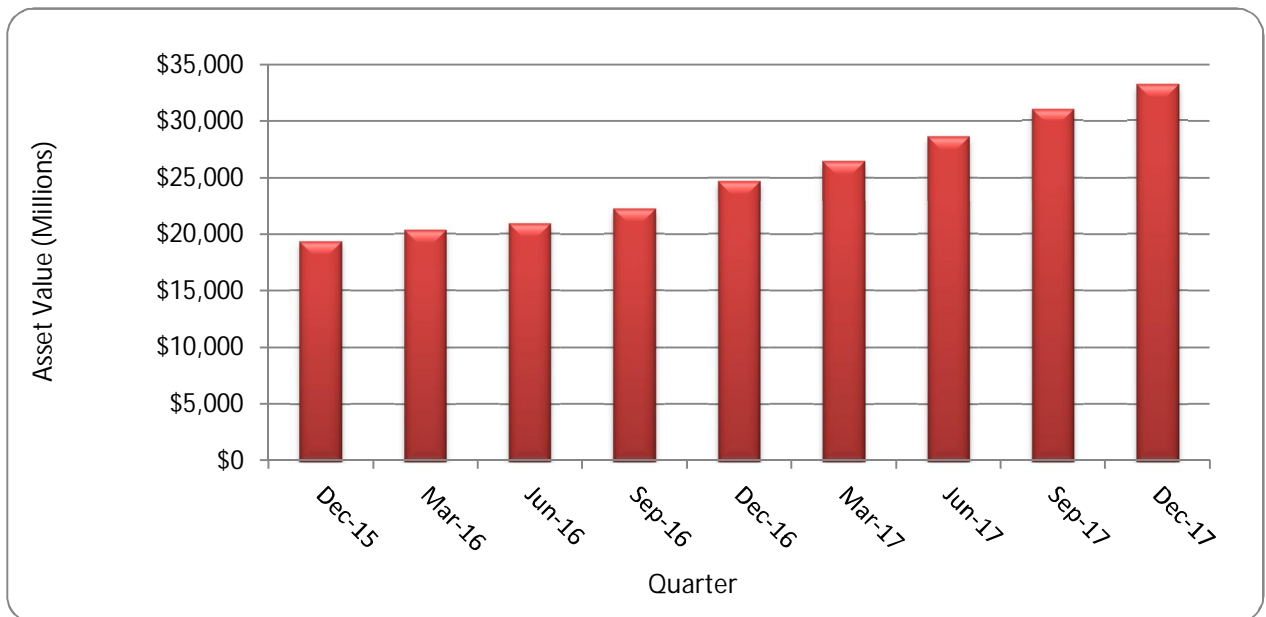
[Table 5: Active Plans by Type as at December 31, 2017](#)

	Number of Active Plans	Percentage of Plans	Number of Members	Percentage of Membership	Asset Value as at Dec 31, 2017	Percentage of Asset Value
Retirement Schemes	13	3.26%	50,226	44.48%	33,302,238,865	6.40%
Superannuation Funds	386	96.74%	62,694	55.52%	487,302,687,176	93.60%
TOTAL	399	100.00%	112,920	100.00%	520,604,926,041	100.00%

[Chart 3: Asset Values for Active Superannuation Funds](#)



[Chart 4: Asset Values for Active Retirement Schemes](#)



### Active Superannuation Funds<sup>4</sup> by Industry

The Services Industry continues to hold the largest share of active members at 35% and the second largest share of pension industry assets at 17.3% for active superannuation funds. Inversely, the Commerce and Finance Industry accounts for the second largest share of membership with 19.2% of the active members, and the largest share of assets at 36.6% for active plans. Charts 5 - 7 illustrate the breakdown.

Chart 5: Number of Active Funds by Industry

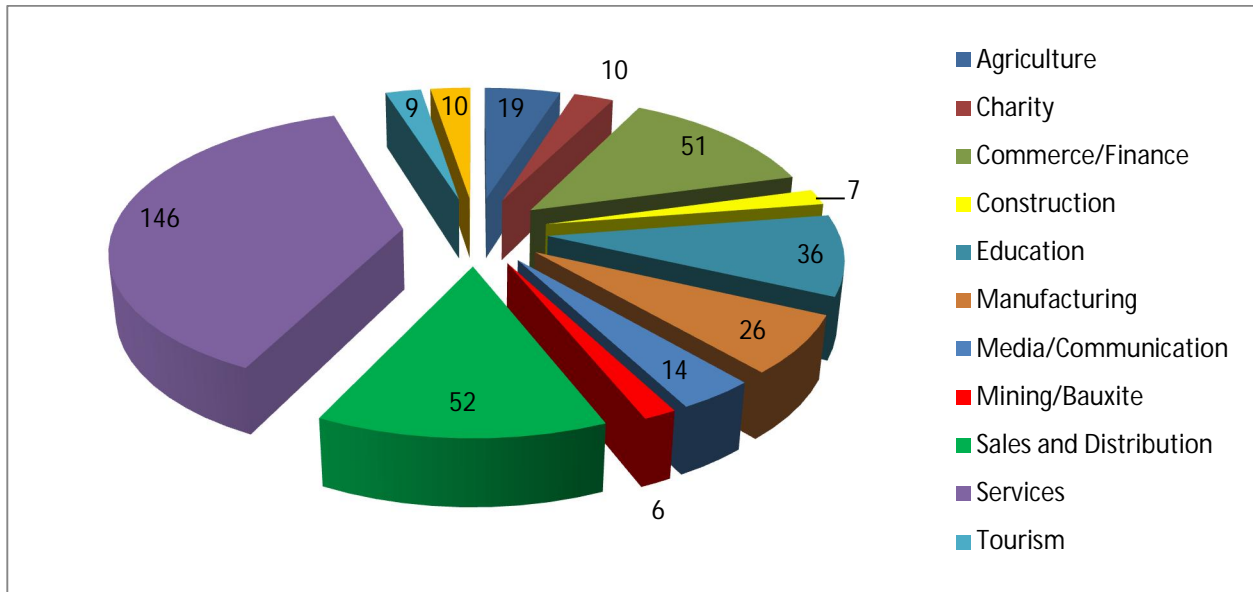
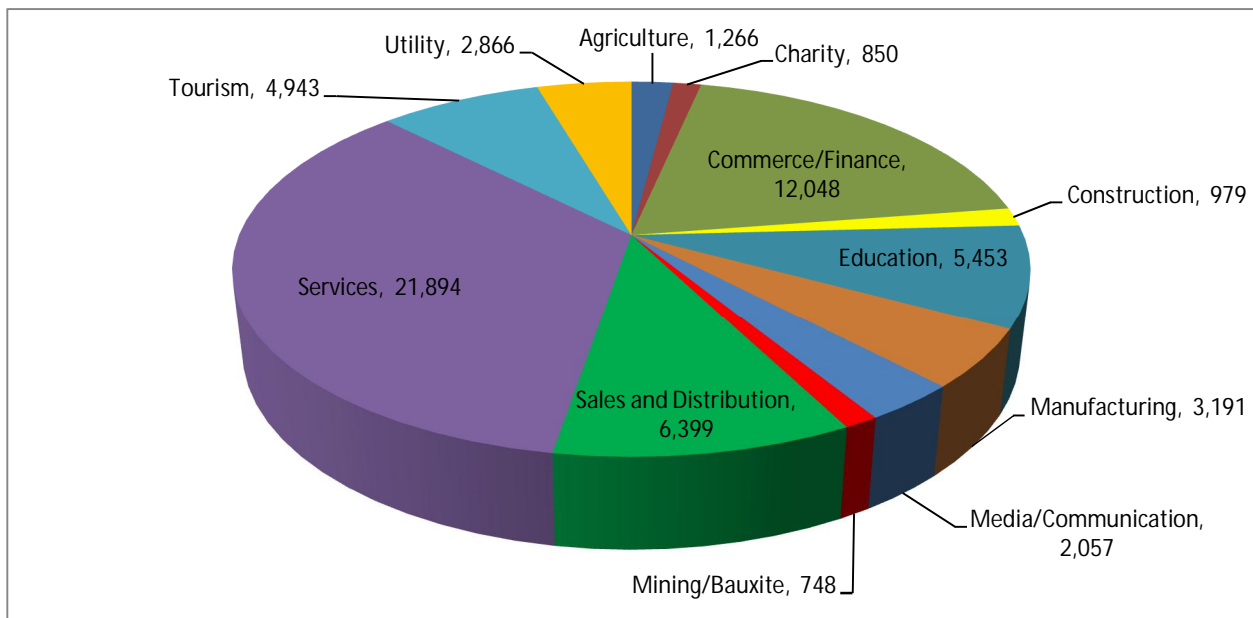
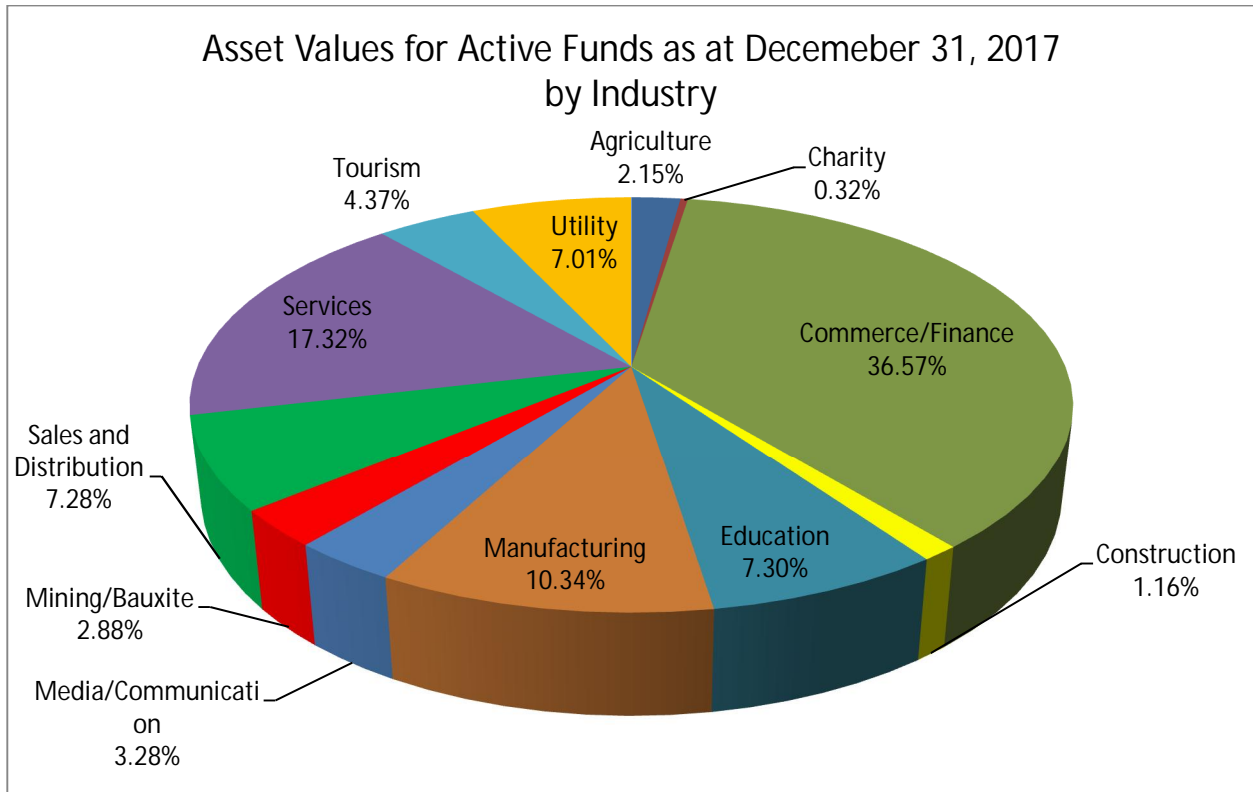


Chart 6: Number of Active Members by Industry



<sup>4</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*

For the December 2017 quarter, three hundred and eighty-four (384) plans, representing approximately 96% of the 399 active plans have submitted solvency data. Analysis of the data provided by these plans revealed that 93% of all active pension plans were solvent. Additionally, 92% of defined benefit pension plans were solvent, a slight increase when compared to the previous quarter. Based on the nature of these plans, sponsors have the responsibility to fund any shortfall. On the other hand, active defined contribution plans remained at 94% solvency.

[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%	
Defined Benefit	98	8	25	28	37	92
Defined Contribution	286	17	193	54	22	94
Total	384	25	218	82	59	93

### *Inactive Pension Plans*

During the quarter the value of the assets of inactive pension plans increased by 6%. There was one active plan which was reclassified as inactive during the quarter and, which resulted in an increase in the inactive membership (See: Table 7).

[Table 7: Inactive Pension Plans by Type](#)

	December 2017	September 2017	June 2017
<b>Number of Plans</b>			
Defined Benefit	4	4	4
Defined Contribution	13	12	12
Total Inactive Plans	17	16	16
<b>Membership</b>			
Defined Benefit	894	894	894
Defined Contribution	58	55	55
Total Membership	952	949	949
<b>Asset Values</b>			
Defined Benefit (\$'000)	129,891	127,381	184,061
Defined Contribution (\$'000)	60,372	51,818	47,645
Total Asset Values (\$'000)	190,263	179,199	231,705

### *Terminating Plans*

No pension plans initiated winding-up procedures during the December 2017 quarter. The total asset value for the terminating plans declined to \$7.5 billion as a result of payments to participants of terminating plans (See Table 8).

[Table 8: Terminating Pension Plans by Type](#)

	December 2017	September 2017	June 2017
<b>Number of Plans</b>			
Defined Benefit	91	91	90
Defined Contribution	299	299	297
Total Terminating Plans	390	390	387
<b>Membership</b>			
Defined Benefit	1,429	1,429	1,401
Defined Contribution	870	870	857
Total Membership	2,299	2,299	2,258
<b>Asset Values</b>			
Defined Benefit (\$'000)	3,323,170	3,299,753	3,297,733
Defined Contribution (\$'000)	4,200,808	7,735,317	4,396,205
Total Asset Values (\$'000)	7,523,978	11,035,070	7,693,938



## Investment Managers

During the December 2017 quarter, Sterling Asset Management entered the market while BCW Capital Limited exited; as a result, the number of licensed investment managers remained at 27. Securities dealers represent 59% of these entities, which accounts for 39% of total private pension asset versus 54% that are held by life insurance companies. With approximately 93% of market share, securities dealers and life insurance companies have predominantly held the largest percentage of the private pension industry assets. Credit unions, accounted for the smallest number of licensed entities with market shares of less than 1% of the private pension assets (See Table 9).

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

Investment Managers	Number of Entities Dec 2017	Asset Values Dec 2017 <sup>5</sup> (\$'000)	Number of Entities Sep 2017	Asset Values Sep 2017 (\$'000)	Number of Entities Jun 2017	Asset Values Jun 2017 (\$'000)
Insurance Companies	3	283,072,283	3	277,186,525	3	254,013,714
Securities Dealers	16	206,920,088	17	198,277,843	17	191,425,428
Credit Unions	1	433,583	1	423,264	1	402,884
Other	7	37,893,213	6	37,457,694	6	36,975,056
Total	27	528,319,167	27	513,345,326	27	482,817,081

## Risk Outlook

According to the Planning Institute of Jamaica ("PIOJ"), Jamaica's economy grew by 1.1% between October and December 2017, its strongest quarterly growth for the calendar year. This follows a 0.8% increase from the previous quarter. The growth resulted from estimated increases in the services and manufacturing industries, 1% and 1.2% respectively; due to major expansions in the mining and quarrying industries. The PIOJ also reported an estimated increase of 0.5% in the Jamaican real Gross Domestic Product ("GDP") for the 2017 calendar year.

Growth in sectors such as agriculture, forestry and fishing continued to decline due to excessive rainfall throughout the October and November quarter. This negatively impacted the prices of agricultural goods and further contributed to a rise in inflation. The Bank of Jamaica ("BOJ") reported inflation of 5.2% for the December 2017 quarter, an increase of 4.6 percentage points from the previous quarter. In addition, BOJ indicated that inflation projections will remain within the set range of 4.0% - 6.0% for the next eight quarters. With considerations of the expected trends of inflation, BOJ indicated that it will continue with a more accommodative monetary policy that is in line with the Government's fiscal policy.

The weighted average selling rate of the US dollar versus the Jamaican dollar reflected an appreciation in value of 3.8% for the quarter. The strengthening of the local currency was mainly attributable to an increase in liquidity of foreign currency within the market. This was achieved through the implementation of the BOJ Foreign Exchange Intervention Trading Tool (B-FXITT) that improved the flow of information and ease of transaction in the market, specifically to foreign exchange. The pensions industry is still exposed to significant foreign currency risks as foreign currency denominated assets increased over the quarter and currently stands at 7.9% of invested pension assets.

<sup>5</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.

Quarter over quarter, the private pensions industry held a 20% level of direct investments in equities as a sign of continued interest in the stock market. In the fourth quarter of 2017, the Jamaica Stock Exchange (“JSE”) Main Index advanced by 25,625.83 points; a growth of 9.7%. This represents a marginal increase when compared to a growth of 16.8% registered for the corresponding period in 2016.

Four newly listed entities issued ordinary shares to the Jamaican public throughout the quarter such as the Wisynco Group Limited which closed out with record subscriptions valuing over \$17 billion. This partially reflects how the reduction in interest rates, helped to boost the performance of the local stock market. Private pension plans are expected to continue to enjoy investment opportunities from the JSE as they diversify their portfolios and reduce counter party risk exposure.

Trustees have invested more of the pension plan assets in investment arrangements and continue to benefit from economies of scale and shared investments risks. These pooled arrangements are expected to maintain growth for the future.

The Statistical Institute of Jamaica reported that Jamaica’s unemployment rate experienced its lowest level in a decade as of October 2017 at 10.4%. Most individuals who gained employment were employed to the private sector during the quarter. This should promote growth within the retirement scheme segment of the pensions industry. However, no growth was recognized for the period. It must be taken into account that the viability of retirement schemes depends on the levels of disposable incomes within the Jamaican economy. This is also true for the employment levels of the Jamaican workforce.

If the current administration maintains its commitment in tackling the present crime situation, there will be potential for the growth in the private pensions industry. With a reduction in crime, the Government can seek to create a sustainable environment for existing and emerging businesses to thrive and expand. In the long term, employers will consider increasing their efforts to create an equally sustainable setting for their employees through social benefits such as provisions of better retirement options. Additionally, capital spending in other areas of business, such as security, will decrease and pension arrangements can become more affordable for employers. For individuals outside the workforce, there are social benefits from a reduction in crime that will be left for their advantage. Consumption spending on security will dissipate and ultimately retirement saving will become more feasible to persons.

### *Summary*

The number of active pension plans remained the same quarter over quarter and the private pension industry remains stable under the current economic conditions. Total pension plan assets showed steady growth in value and the solvency levels of private pension plans remained adequate over the review quarter. The industry experienced growth in membership quarter over quarter and there is potential for further growth within the industry as Jamaica’s employed workforce is expected to expand.