



Pensions Division
Private Pension Industry Quarterly Statistics
March 2018

Overview

As at March 31, 2018, total private pension assets increased nominally by 1% to \$534.6 billion. There was no change in the total number of pension plans; however, membership experienced a slight growth of 0.3%. The employed labour force realized a decline over the period and pension coverage in Jamaica now stands at approximately 9.7% in terms of all plans and 9.5% in terms of all active plans for the quarter. (See: Table 1).

Table 1: Key Statistics

	March 2018	December 2017	September 2017
Number of Plans ¹	806	806	805
Asset Values (\$'000)	534,594,795	528,341,454 ²	513,345,326
Total Membership	116,454	116,171	114,968

Investment Mix

During the March 2018 quarter, investment arrangements increased marginally by 1.3%, accounting for approximately 38% of total pension investments. A combination of pooled funds and deposit administration contracts, with significant investments in Government of Jamaica ("GOJ") securities, represents the composition of the investment arrangements portfolio. Approximately 33% of the investment arrangements portfolio is invested in GOJ securities.

There are equity pooled arrangements that offer higher gains to pension plans. Trustees of funds and schemes often take advantage of these opportunities by pooling more investments into these types of arrangements. This was evident during the review period, as stocks and shares accounted for 37.6% of pooled fund assets; an increase of 11.8%. Further to this point, relatively conservative assets such as repurchase agreements, which account for 5.8% of total investment arrangements, experienced a significant decline of 20.3% in asset value for the quarter. Real estate and corporate bonds continue to contribute just over 14% and 5% of total investment arrangements, respectively. Overall performance of investment arrangements reflected a small appreciation in value to \$202 billion.

Major asset classes such as direct holdings of equities, real estate, and bonds and debentures recognized nominal growths during the quarter. Direct holding in equity investments represent 21% (\$113.3 billion) of total investments, a 2.8% increase over the previous quarter. Direct holdings in real estate also reflected an increase and now represent approximately 4% of total investments. There was a slight growth of 1.5% over the quarter for investments in bonds and debentures.

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

² Dec 2017 has been restated.

Throughout the review period direct holdings of government securities remained steady with no notable change in percentage value of the total pension assets. Direct investments in repurchase agreements increased significantly by 20.8%, contributing to approximately 4% of the pension investment portfolio. This appears to reflect restored interest of the private pension arrangements in the money market. (See: Table 2 and Chart 1).

The marginal growth of the major asset classes in the pension portfolio reflects the anaemic growth in the pensions industry of 1.2% for the quarter, which lagged the 1.4% growth in GDP for the March 2018 quarter.

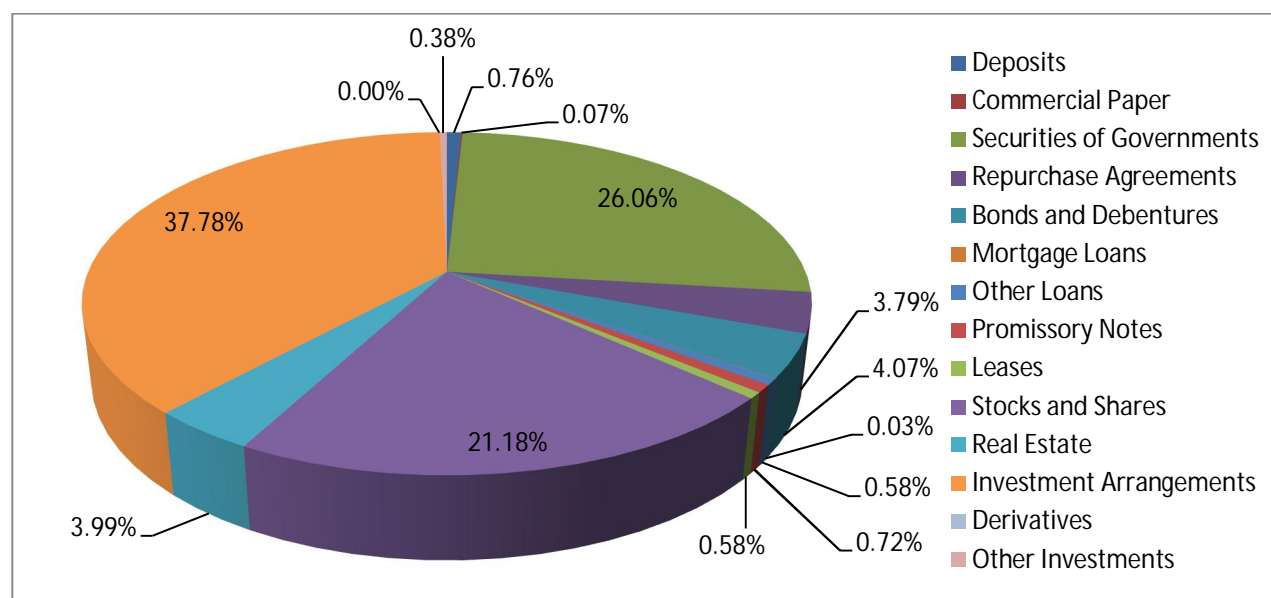
[Table 2: Aggregate Investment Mix](#)

Types of Investment	Amount Invested \$'000	% of Total Investments	Amount Invested \$'000	% of Total Investments	Amount Invested \$'000	% of Total Investments
	Mar-18		Dec-17		Sep-17	
Deposits	4,082,545.18	0.76%	5,075,711.49	0.97%	4,295,975.47	0.84%
Commercial Paper	370,469.31	0.07%	339,436.01	0.06%	590,503.00	0.12%
Securities of Governments	139,403,717.02	26.06%	138,340,990.77	26.31%	133,753,721.32	26.11%
Repurchase Agreements	20,299,979.13	3.79%	16,802,507.46	3.20%	21,744,384.26	4.24%
Bonds and Debentures	21,769,420.08	4.07%	21,441,282.70	4.08%	20,243,604.06	3.95%
Mortgage Loans	133,952.73	0.03%	149,075.82	0.03%	162,035.38	0.03%
Other Loans	3,114,897.40	0.58%	3,853,113.51	0.73%	3,488,142.47	0.68%
Promissory Notes	3,873,770.02	0.72%	3,788,177.26	0.72%	3,693,301.69	0.72%
Leases	3,086,489.66	0.58%	3,007,336.40	0.57%	3,054,680.78	0.60%
Stocks and Shares	113,297,597.27	21.18%	110,264,403.57	20.97%	104,298,895.73	20.36%
Real Estate	21,367,390.33	3.99%	21,103,428.59	4.01%	20,314,651.30	3.97%
Investment Arrangements	202,109,100.36	37.78%	199,563,625.00	37.95%	195,144,496.30	38.09%
Derivatives	0.00	0.00%	0.00	0.00%	0.00	0.00%
Other Investments	2,042,553.70	0.38%	2,122,863.11	0.40%	1,499,487.26	0.29%
Total Investments	534,951,882.18	100.00%	525,851,951.68	100.00%	512,283,879.02	100.00%
Other Net Assets	-357,087.55		2,489,502.25		1,061,447.29	
Total Assets	534,594,794.64		528,341,453.93		513,345,326.31	

Note: Dec 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

The number of active private pension plans as at March 31, 2018, accounted for 49% of the total private pension industry, with assets of \$527.3 billion. There was a reduction in the number of active plans at the end of the period, resulting in a count of 396 pension plans. This was as a result of the winding-up proceedings of three funds. (See Tables 3 & 4).

Growth in active membership for the quarter was marginal and was observed for defined contribution plans; while defined benefit (DB) plans suffered a decline in membership. With a slight decrease in the Jamaican employed labour force³, membership in active pension plans now covers approximately 9.5% of the total number of Jamaicans who are employed. (See Chart 2).

Table 3: Membership

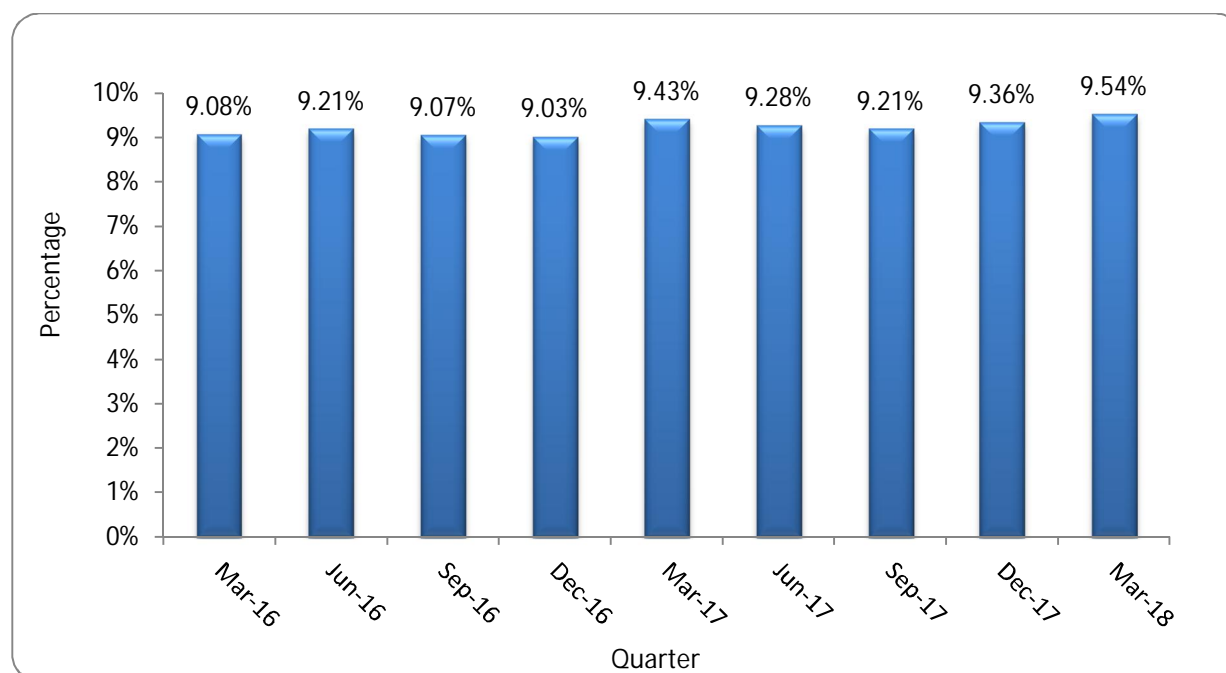
	March 2018	December 2017	September 2017
Number of Active Plans	396	399	399
Active Membership	115,139	112,920	111,720

³ The Jamaican employed labour force as at January 31, 2018 was 1,206,600 according to the Planning Institute of Jamaica (pioj.gov.jm).

Table 4: Active Pension Plans by Type

	March 2018	December 2017 ⁴	September 2017
Number of Plans			
Defined Benefit	98	99	99
Defined Contribution	298	300	300
Total Active Plans	396	399	399
Membership			
Defined Benefit	20,918	21,103	20,618
Defined Contribution	94,221	91,817	91,102
Total Membership	115,139	112,920	111,720
Assets Values			
Defined Benefit (\$'000)	327,710,091	325,253,662	316,212,299
Defined Contribution (\$'000)	199,562,668	195,373,551	185,918,759
Total Asset Values (\$'000)	527,272,759	520,627,213	502,131,058

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



⁴ December 2017 was restated

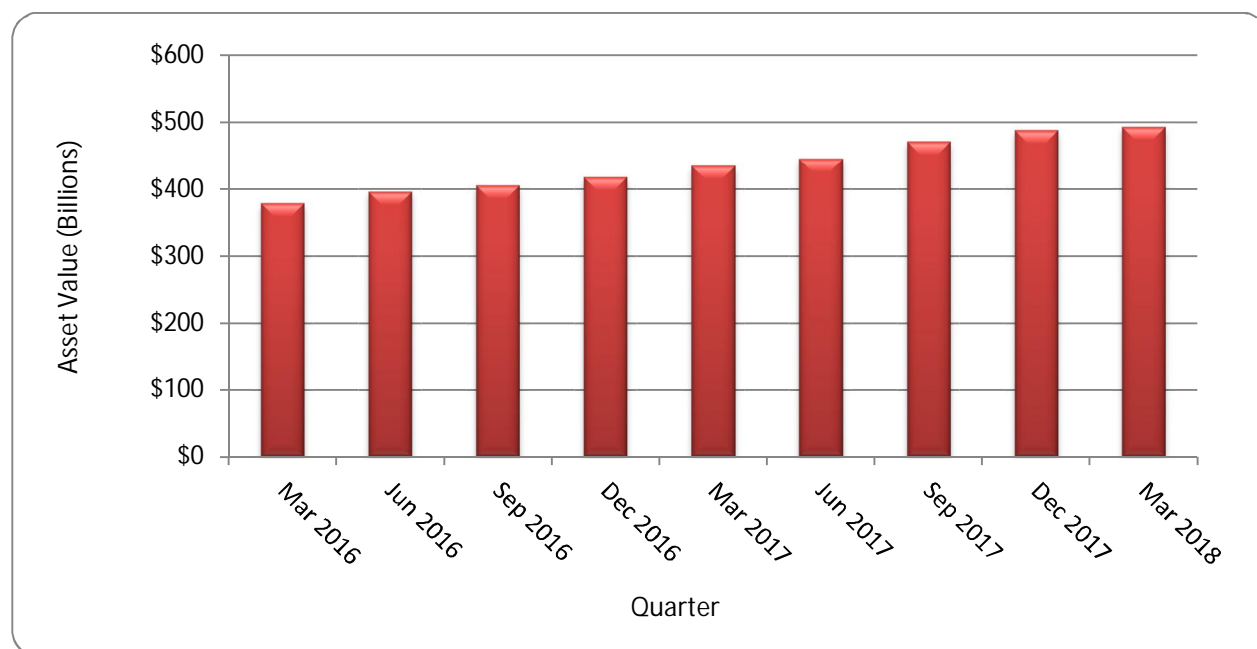
Active Plans by Type

Membership in superannuation funds experienced marginal growth during the quarter. However, retirement schemes membership increased by over 3% during the quarter with the addition of 1,596 individual accounts. At 96.7%, superannuation funds encompassed the majority of the total number of members in active pension plans and the larger portion of total assets, at approximately 93.5%. The assets of schemes increased nominally by 3% to \$34.4 billion, while funds realized a 1% increase to close out the quarter at \$492.9 billion. (See illustration in Table 5 and Charts 3 & 4).

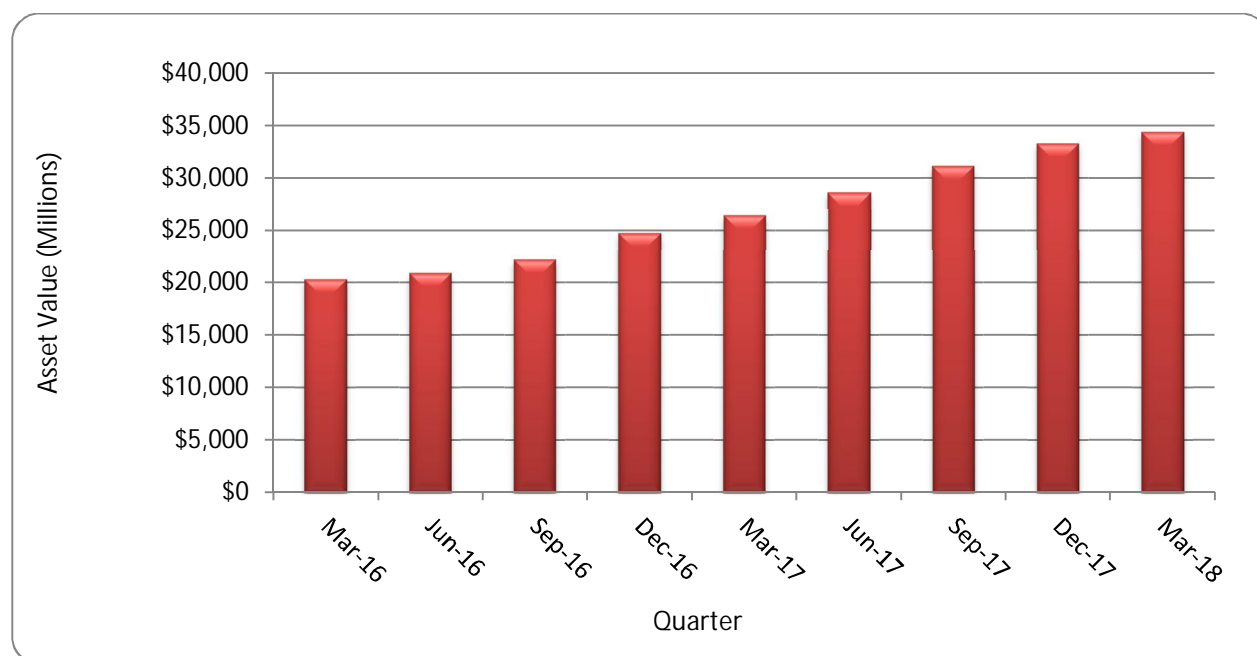
Table 5: Active Plans by Type as at March 31, 2018

	Number of Active Plans	Percentage of Plans	Number of Members	Percentage of Membership	Asset Value as at Mar 31, 2018	Percentage of Asset Value
Retirement Schemes	13	3.28%	51,822	45.01%	34,398,930,128	6.52%
Superannuation Funds	383	96.72%	63,317	54.99%	492,873,829,317	93.48%
TOTAL	396	100.00%	115,139	100.00%	527,272,759,446	100.00%

Chart 3: Asset Values for Active Superannuation Funds



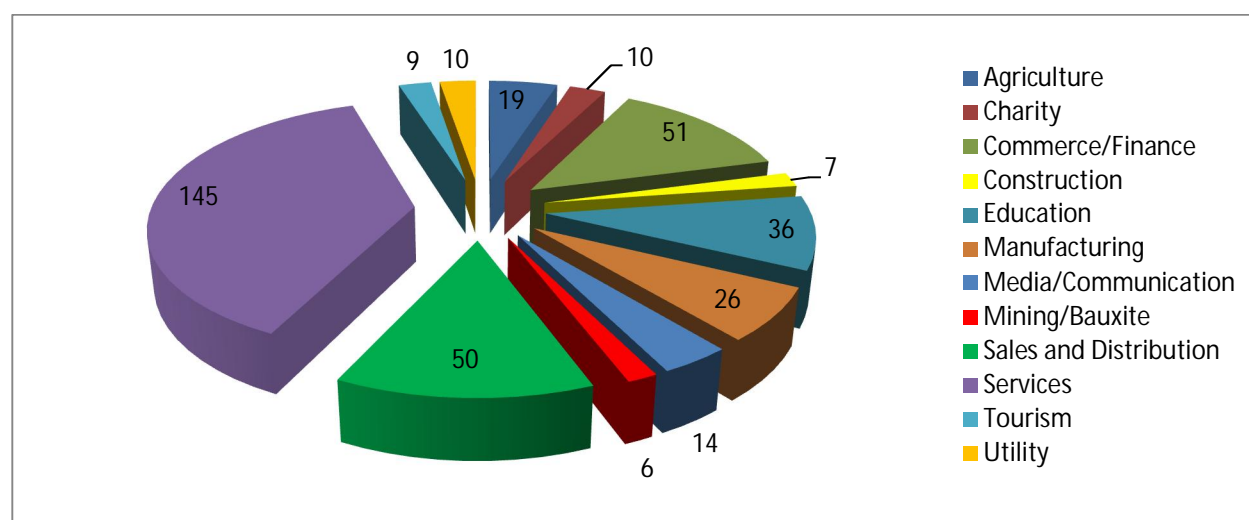
[Chart 4: Asset Values for Active Retirement Schemes](#)



Active Superannuation Funds⁵ by Industry

The Services Industry remains the pension industry leader in terms of market share value. Quarter over quarter, this industry segment has held the largest share of active membership at 35% and the second largest share of assets at approximately 18%. Contrariwise, the Commerce and Finance Industry accounted for the second largest share of membership with 19% of the active members, and the largest share of assets at 36% for 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, 2018.

[Chart 5: Number of Active Funds by Industry](#)



⁵ Previous reports were based on all active plans – both funds and schemes – with members of schemes designated to the “Commerce/Finance” industry.

Chart 6: Number of Active Members by Industry

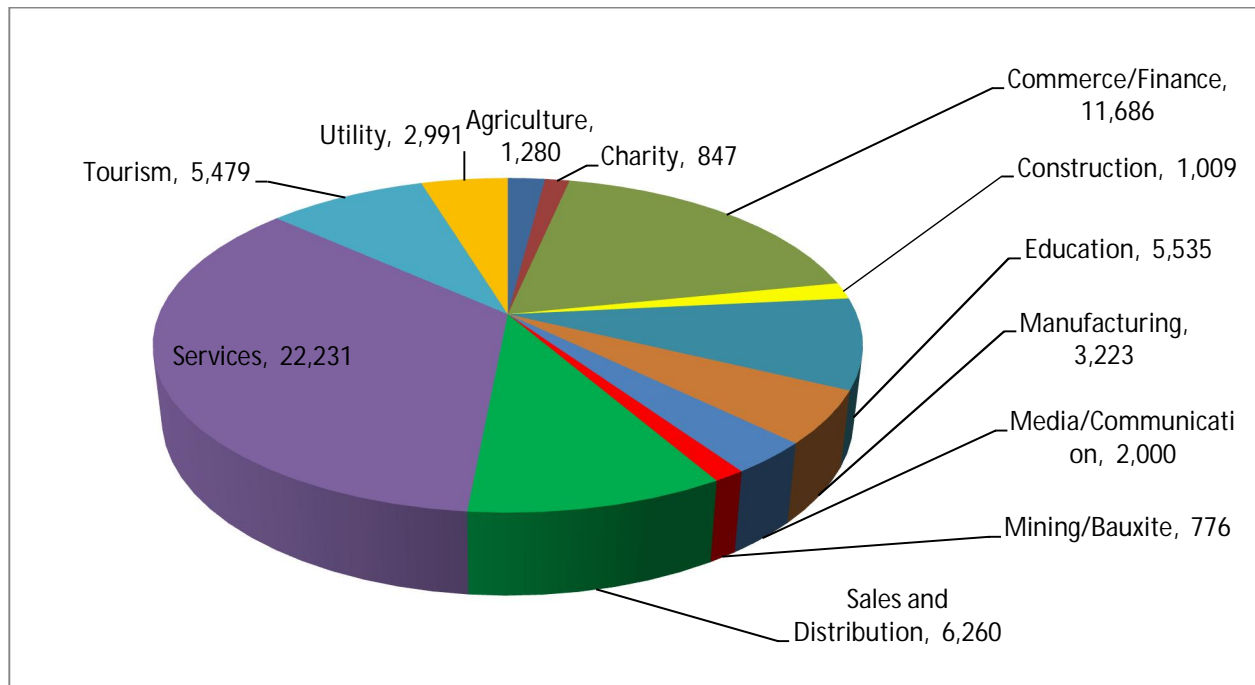
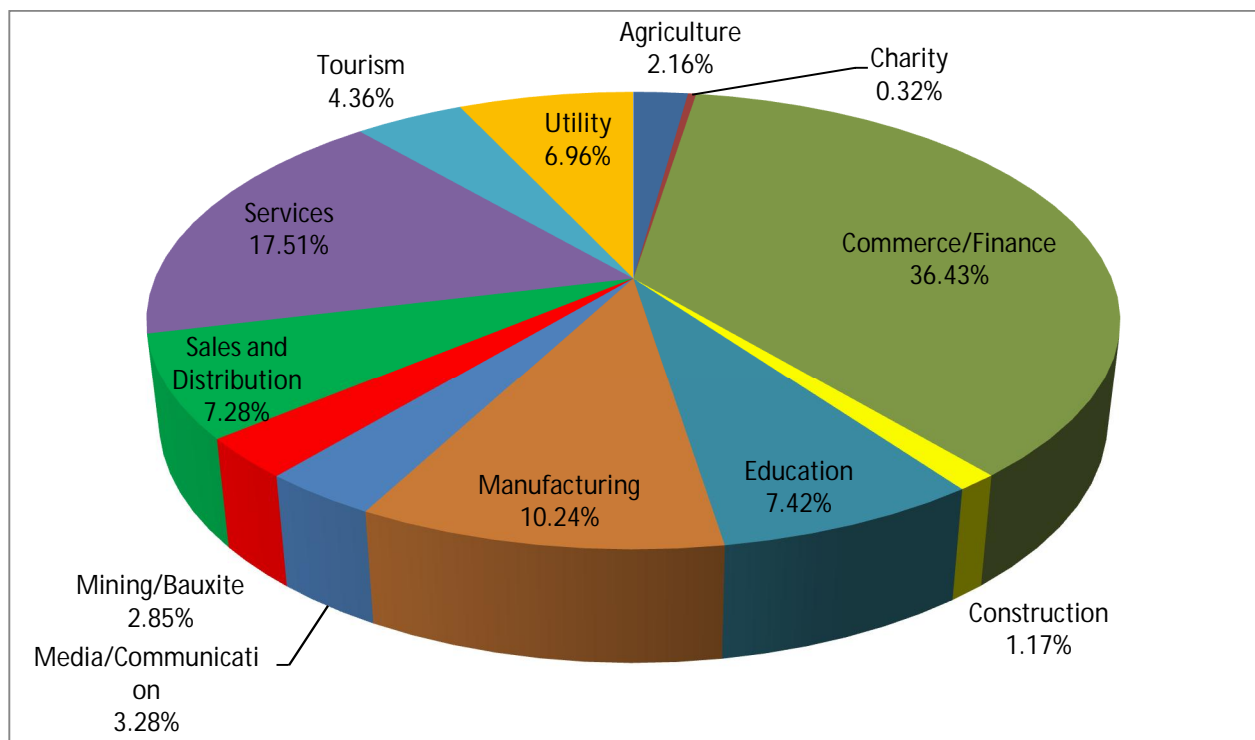


Chart 7: Asset Values by Industry



Solvency of Active Pension Plans

Three hundred and eighty-two (382) plans, representing 96% of the 396 active plans have submitted solvency data; analysis of the data shows that as at March 31, 2018, 94% of all active pension plans, for which data were submitted, were solvent. 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, 2018](#)

	Number of plans	Solvency Level				% of plans which are solvent
		Less than 100%	Between 100% & 120%	Between 120% & 150%	Greater than 150%	
Defined Benefit	96	6	26	29	35	94
Defined Contribution	286	17	193	52	24	94
Total	382	23	219	81	59	94

Inactive Pension Plans

As at March 31, 2018, there were no changes in the number of inactive plans. However, the value of the assets has a negligible increased while the number of members declined marginally. (See: Table 7).

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

	March 2018	December 2017	September 2017
Number of Plans			
Defined Benefit	4	4	4
Defined Contribution	13	13	12
Total Inactive Plans	17	17	16
Membership			
Defined Benefit	894	894	894
Defined Contribution	52	58	55
Total Membership	946	952	949
Asset Values			
Defined Benefit (\$'000)	129,832	129,891	127,381
Defined Contribution (\$'000)	60,958	60,372	51,818
Total Asset Values (\$'000)	190,790	190,263	179,199

Terminating Plans

Due to the winding-up proceedings of three pension plans during the March 2018 quarter, the number terminating pension plans had increased. Moreover, continued payments to participants of terminating plans caused a significant decrease in the number of members and the total asset value for the terminating pension plans. Membership closed out the quarter at 369 members with total assets of \$7 billion. (See Table 8).

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

	March 2018	December 2017	September 2017
Number of Plans			
Defined Benefit	92	91	91
Defined Contribution	301	299	299
Total Terminating Plans	393	390	390
Membership			
Defined Benefit	67	1,429	1,429
Defined Contribution	302	870	870
Total Membership	369	2,299	2,299
Asset Values			
Defined Benefit (\$'000)	2,996,312	3,323,170	3,299,753
Defined Contribution (\$'000)	4,134,933	4,200,808	7,735,317
Total Asset Values (\$'000)	7,131,245	7,523,978	11,035,070

Investment Managers

During the March 2018 quarter, the number of licensed investment managers remained at 27, as there were no new entrants to or exits from the market. The largest percentage of private pension industry assets is managed by securities dealers and life insurance companies. When combined they account for approximately 93% of the market share. Quarter over quarter, securities dealers accounted for 59% of the total number of licensees with a corresponding 39% of total private pension assets. Life insurance companies held the largest percentage of market assets at 54%, but only accounted for 11% of licensees. (See Table 7).

[Table 9: Total Assets Under Management of Investment Managers](#)

Investment Managers	Number of Entities Mar 2018	Asset Values Mar 2018 ⁶ (\$'000)	Number of Entities Dec 2017	Asset Values Dec 2017 ⁷ (\$'000)	Number of Entities Sep 2017	Asset Values Sep 2017 (\$'000)
Insurance Companies	3	286,152,413	3	283,072,283	3	277,186,525
Securities Dealers	16	208,853,896	16	206,920,087	17	198,277,843
Credit Unions	1	441,625	1	433,583	1	423,264
Other	7	39,146,860	7	37,915,500	6	37,457,694
Total	27	534,594,795	27	528,341,454	27	513,345,326

⁶ The asset values include the assets of one terminating superannuation fund for which the investment manager withdrew its application for licensing with the FSC. Also, Dec 2017 assets values were restated.

⁷ The asset values include the assets of one terminating superannuation fund for which the investment manager withdrew its application for licensing with the FSC.

Risk Outlook

The March 2018 quarter marked the end of the 2017/2018 fiscal year and opens the conversation on how the economy is expected to perform for remainder of 2018. The March 2018 quarter reflected an expansion of the economy by 1.4%. This was due mainly to significant growth in the mining and quarrying, manufacturing and construction industries. The Planning Institute of Jamaica ("PIOJ") reported the largest levels of employment in these industries over the quarter. Majority of workers in these sectors are contractual workers, who would better benefit from entering a retirement scheme as an option for pension saving. Membership levels of the retirement scheme segment of the pensions industry experience growth of 3.3% for the period.

The PIOJ places an expectancy of economic growth within the range of 1.5% to 2.5% per quarter. The PIOJ attributes this to the anticipated increases in mining and construction activities, recovery of the agricultural sector and further expansions in tourism. According to the Bank of Jamaica ("BOJ"), the economy is on a path of recovery. With increased international demand, causing rises in exports of goods and services, coupled with the current position of inflation, the central bank believes that the state of the economy will significantly improve over the next four quarters.

As at March 31, 2018, the BOJ reported inflation at 3.9%, reflecting a decline relative to 5.2% as at end December 2017. In efforts to help maintain economic improvement, the BOJ will continue to affix its monetary policy in a stance that is accommodative, as it expects inflation projections of declines below its target of 4.0% to 6.0%. This will support the continued low interest rate environment in Jamaica. Employers will benefit in times of low interest rates, as they are better able to undertake new projects or expand their businesses. Rising household debt poses a risk on the saving patterns of the Jamaican people as more individuals are accessing consumer loans which have become more attractive due to lowering lending rates. More disposable income will be spent funding household financial liabilities while less will be reserved for retirement saving. It must be noted that the viability of pension business, specifically retirement schemes, depends upon personal disposable incomes as well as the propensity of persons to save.

The marginal growth in pension assets is symptomatic of the low interest rate environment that pervades in Jamaica. Currently the pension portfolio predominantly consists of interest bearing instruments and the current low interest rate environment will cause pension plans to explore riskier investment opportunities in attempts of earning higher yields.

The value of foreign currency denominated assets in the pension industry has significantly increased by 13.8%. This is partially due to a number of reclassification of amounts in foreign securities reported by licensees for the period. Foreign currency denominated assets now represents approximately 10% of invested pension assets. Therefore, the exposure of pension assets to foreign currency risk continues to exist and trustees and investment managers are being encouraged to implement portfolio strategies that will effectively mitigate this type of risk.

The growth in the value of stocks invested by funds and schemes closely mirrors the 2.1% growth in the Jamaica Stock Exchange ("JSE") main index during the March 2018 quarter. The performance of the local stock market continues to provide investment opportunities for pension plans that need to further diversify their portfolios and reduce counter party risk exposure.

Summary

The tripartite factors for sustainable pension business are good governance, operational efficiencies and sound investment planning. Operators of pension funds and schemes must ensure that these factors are taken into consideration for their management structure as the pensions industry continues to evolve with both the local and global economy. Trustees are encouraged to assess their roles and ensure that there are prudent practices surrounding the management of the pension arrangements.

The pensions industry experienced a marginal growth in membership and a slight decline the number of active plans over quarter. Nonetheless, the pensions industry remains stable given the adequate solvency levels of these active plans and the steady growth in value of pension assets. Under the current economic conditions and the expected growth in various sectors of the Jamaican economy, the pensions industry may correspondingly improve.