

# PRIVATE PENSIONS INDUSTRY STATISTICS

**MARCH  
2021**

## OVERVIEW

### In this report:

- > Private Pensions Industry Overview
- > Investment Mix
- > Operating Statistics
- > Risk Outlook

During the March 2021 quarter, the Jamaican private pensions industry continued to exhibit resilience amidst the social and economic climate resulting from the COVID-19 pandemic. Continuing on the trajectory of growth experienced in the December 2020 quarter, the industry's assets increased by 1.74% by the end of 2021 Q1. Moreover, plan membership and pension coverage increased during the quarter and the majority of pension plans had strong solvency positions.

As at March 31, 2021, the total value of assets in the industry amounted to **\$673.97 billion**.

# OVERVIEW (cont'd)

## Key changes over the March 2021 quarter<sup>1</sup>:



**PRIVATE PENSION ASSETS • 1.74%**  
MAR 2021: **\$673.97B**, DEC 2020: **\$662.45B**



**NUMBER OF PLANS<sup>2</sup> REMAINED THE SAME**  
MAR 2021: **815**, DEC 2020: **815**



**MEMBERSHIP • 3.23%**  
MAR 2021: **140,366**, DEC 2020: **135,974**



**PENSION COVERAGE • 0.17%**  
MAR 2021: **11.56%**, DEC 2020: **11.54%**

The industry experienced an average growth of 2.81% per quarter over the past five years.

During the quarter, total membership reported for private pension plans increased by 3.23%. The Jamaican employed labour force<sup>3</sup> also saw a 3.53% increase during the period. Both increases resulted in a negligible growth of 0.17% in private pension coverage to 11.56% for active plans; while total private pension coverage was 11.75% as at March 31, 2021.

Figure 1.0: Growth Trend of Total Industry Assets

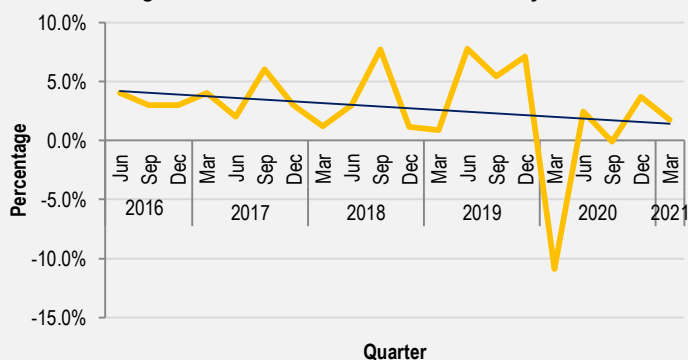


Figure 1.1: Pension Coverage in the Jamaican Private Pensions Industry

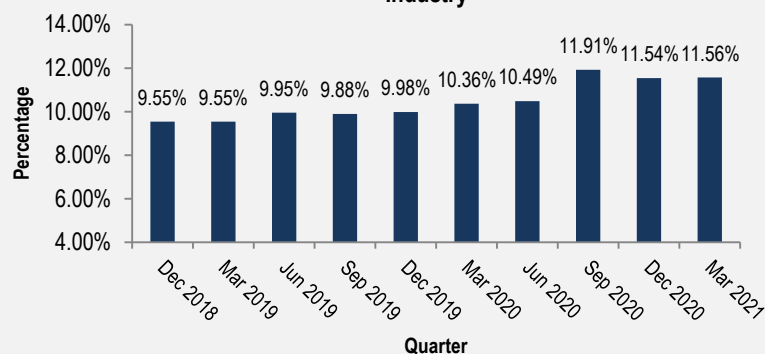
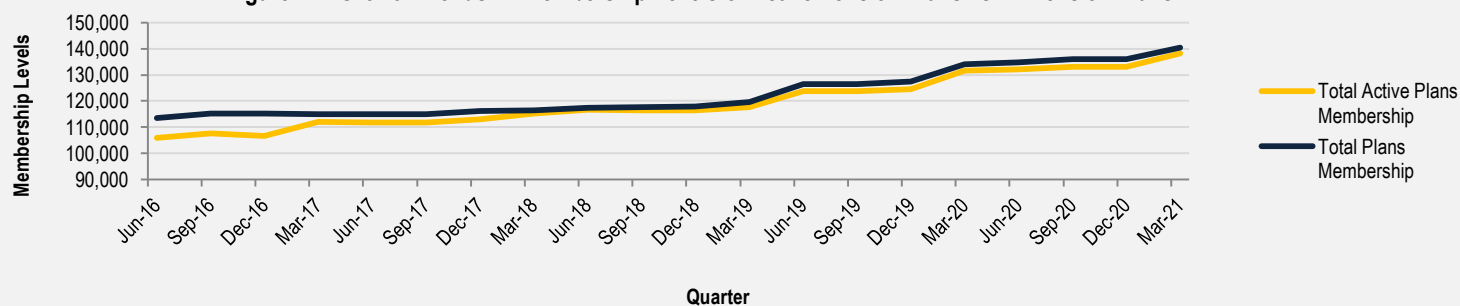


Figure 1.2: Growth Trends in Membership Levels of Active Pension Plans vs All Pension Plans



<sup>1</sup> The number of plans and membership as at December 31, 2020 were restated to remove a specified fund which was inadvertently counted as a private pension plan and a terminating plan which completed its wind-up procedures in a previous quarter. This was also accounted for in the restatement of private pension assets as at December 31, 2020.

<sup>2</sup> This number includes pension plans which are active, terminating and inactive.

<sup>3</sup> The Jamaican employed labour force as at January 31, 2021 was 1,194,800 according to the Planning Institute of Jamaica (pioj.gov.jm).

# INVESTMENT MIX

## Private Pension Assets

Pooled investment arrangements remained the largest asset class (37.33%) with total invested assets valued at \$251.51 billion during the quarter. Conversely, equity investments (22.62%) surpassed investments in Government of Jamaica ("GOJ") securities (21.71%) to regain its position as the second-largest asset class, a position first held in 2019. Direct investments in stocks and shares also experienced the largest growth (5.68%) during the quarter. As at March 31, 2021, investments in stocks and shares and GOJ securities valued \$152.40 billion and \$146.25 billion, respectively.

Marginal movements were noted for direct investments in the remaining asset classes, with the exception of investments in mortgages which bore a reduction of more than 50% during the quarter. (See: Figures 2.0 and 2.1)

### Key changes during the quarter:



**STOCKS AND SHARES REGAINED ITS POSITION AS THE SECOND LARGEST ASSET CLASS. POOLED INVESTMENT ARRANGEMENTS REMAINED THE LARGEST ASSET CLASS.**

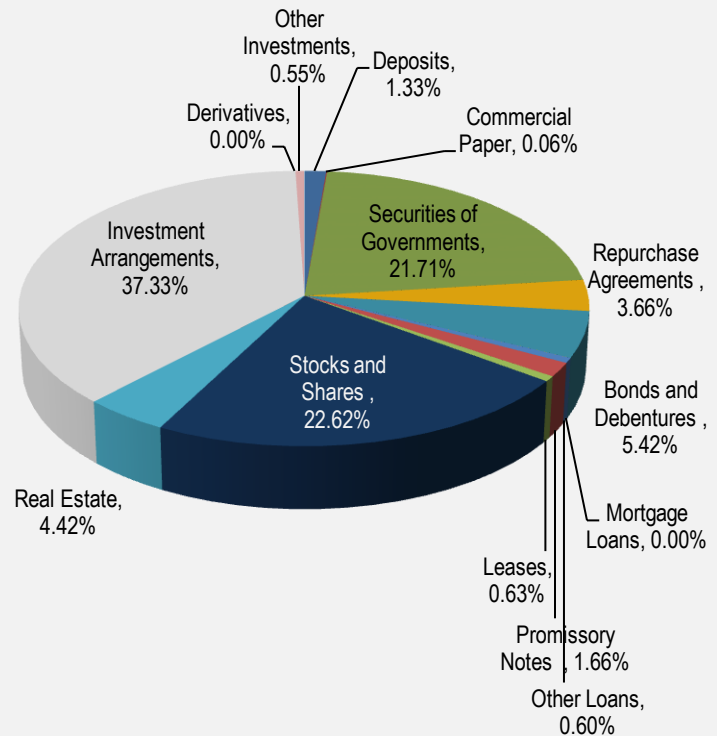


**TOTAL INVESTMENTS IN STOCKS AND SHARES • 5.74%**  
MAR 2021: **\$152.40B**, DEC 2020: **\$144.135B**



**TOTAL INVESTMENTS IN MORTGAGES • 58.57%**  
MAR 2021: **\$25.77M**, DEC 2020: **\$62.21M**

**Figure 2.0: Allocation of Total Private Pension Assets as at March 31, 2021**



**Table 1: Aggregate Investment Portfolio Mix**

Types of Investment	Amount Invested \$' Millions	% of Total Investments	Amount Invested \$' Millions	% of Total Investments	Quarter over Quarter Growth in Asset Classes	Year over Year Growth in Asset Classes
	Mar-21		Dec-20			
Deposits	8,993.64	1.33%	8,671.13	1.32%	3.72%	43.97%
Commercial Paper	417.53	0.06%	414.57	0.06%	0.71%	25.26%
Securities of Governments	146,252.27	21.71%	147,168.99	22.23%	-0.62%	11.85%
Repurchase Agreements	24,679.55	3.66%	24,149.27	3.65%	2.20%	0.31%
Bonds and Debentures	36,523.84	5.42%	35,555.20	5.37%	2.72%	-10.79%
Mortgage	25.77	0.00%	62.21	0.01%	-58.57%	-45.93%
Other Loans	4,018.61	0.60%	4,145.70	0.63%	-3.07%	-16.97%
Promissory Notes	11,192.57	1.66%	10,590.77	1.60%	5.68%	74.06%

Leases	4,216.32	0.63%	4,027.81	0.61%	4.68%	16.14%
Stocks and Shares	152,402.59	22.62%	144,133.78	21.75%	5.74%	5.06%
Real Estate	29,805.05	4.42%	29,838.52	4.51%	-0.11%	7.51%
Investment Arrangements	251,508.55	37.33%	249,737.47	37.72%	0.71%	9.00%
Derivatives	0.00	0.00%	0.00	0.00%	-	-
Other Investments	3,699.21	0.55%	3,577.10	0.54%	3.41%	-7.57%
Total Investments	673,735.50	100.00%	662,072.52	100.00%	1.76%	7.74%
Other Net Assets	239.38		379.41		-36.91%	129.70%
Total Assets	673,974.88		662,451.93		1.74%	7.91%

The December 2020 quarter was restated.

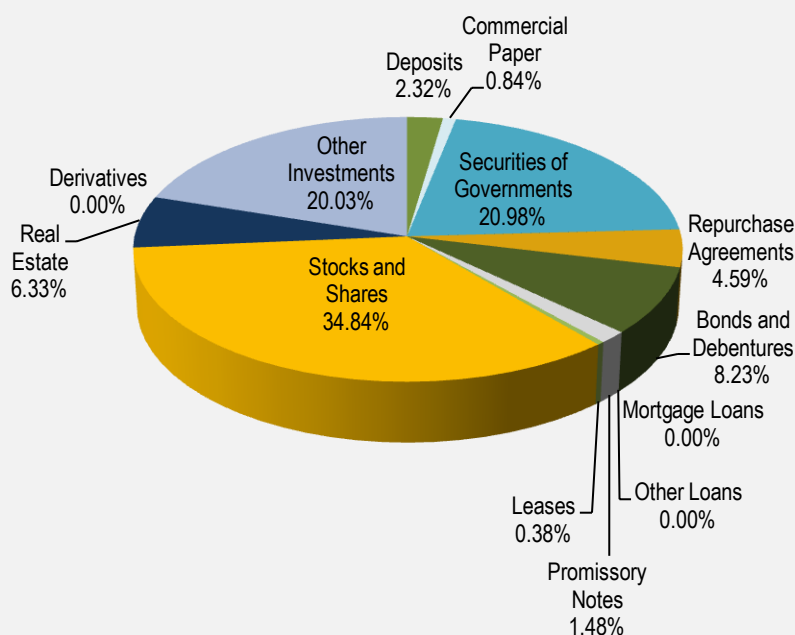
## Pooled Investment Arrangements (“PIAs”)

Type I, Type II Pooled Funds and Deposit Administration Funds, constitute the PIA portfolio which experienced a marginal increase of 0.71% during the quarter to value \$251.51 billion as at March 31, 2021. Indirect investments in stocks and shares of \$85.59 billion (34.84%) represented the largest portion of the PIAs, while marginal movements were noted for all asset classes within the portfolio, with the exception of indirect investments in leases and bonds, and debentures, which increased by 21.59% and 7.00% respectively, and indirect investments in repurchase agreements which decreased by 11.88%.

Indirect holdings of GOJ securities (20.98%) and other investments<sup>4</sup> (20.03%) remained the second and third largest asset classes within the portfolio.

(See: Figures 2.2 and 2.3)

Figure 2.1: Allocation of Pension Assets in Pooled Investment Arrangements as at March 31, 2021



### Key changes over the quarter:



**TOTAL INVESTMENTS IN PIA • 0.71%**  
MAR 2021: **\$251.51B**, DEC 2020: **\$249.74B**



**INDIRECT INVESTMENTS IN LEASES • 21.59%**  
MAR 2021: **\$936.46M**, DEC 2020: **\$796.34M**



**INDIRECT INVESTMENTS IN REPURCHASE AGREEMENTS • 11.88%**  
MAR 2021: **\$11.27B**, DEC 2020: **\$12.78B**

<sup>4</sup> This primarily consists of investments in collective investment schemes.

Table 2: Pooled Investment Arrangement Portfolio Mix

Types of Investment	Amount Invested \$' Millions	% of Total Investments	Amount Invested \$' Millions	% of Total Investments	Quarter over Quarter Growth in PIAs	Year over Year Growth in PIAs
	Mar-21		Dec-20			
Deposits	5,689.54	2.32%	5,574.99	2.29%	2.05%	10.56%
Commercial Paper	2,066.60	0.84%	2,083.37	0.86%	-0.80%	-7.86%
Securities of Governments	51,540.70	20.98%	51,723.36	21.24%	-0.35%	-24.50%
Repurchase Agreements	11,266.51	4.59%	12,784.92	5.25%	-11.88%	-31.90%
Bonds and Debentures	20,213.37	8.23%	18,890.20	7.76%	7.00%	18.34%
Mortgage	0.07	0.00%	0.07	0.00%	-	-
Other Loans	0.00	0.00%	0.00	0.00%	-	-100.00%
Promissory Notes	3,632.07	1.48%	3,496.31	1.44%	3.88%	49.44%
Leases	935.46	0.38%	769.34	0.32%	21.59%	45.14%
Stocks and Shares	85,588.39	34.84%	84,724.92	34.79%	1.02%	6.84%
Real Estate	15,540.93	6.33%	15,530.57	6.38%	0.07%	-43.24%
Investment Arrangements	0.00	0.00%	0.00	0.00%	-	-
Other Investments	49,201.52	20.03%	47,941.00	19.69%	2.63%	1,249.67%
Total Pooled Investments <sup>5</sup>	245,675.15	100.00%	243,519.04	100.00%	0.89%	9.93%
Other Net Assets	858.74		1,320.43		-34.97%	15.40%
Other Investment Arrangements	4,974.66		4,898.00		1.57%	-23.56%
Total Assets	251,508.55		249,737.47		0.71%	9.00%

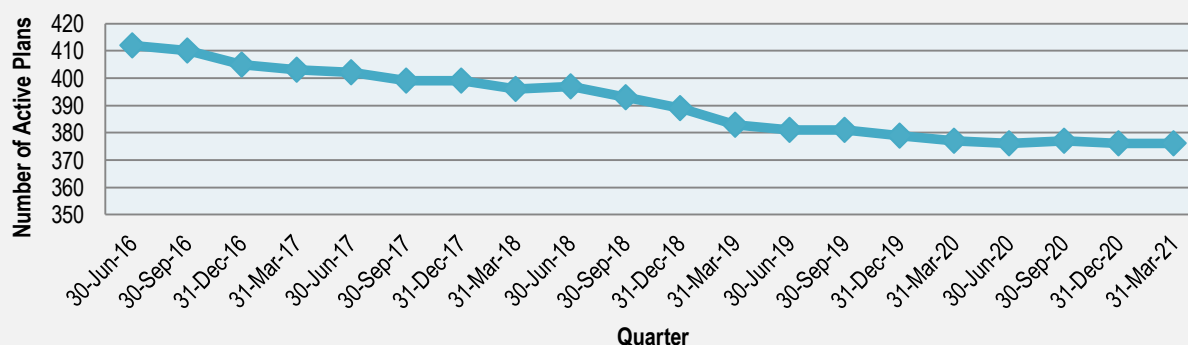
The December 2020 quarter was restated.

## OPERATING STATISTICS

### Active Pension Plans

Active pension plans accounted for 46% of plans within the private pensions industry, and approximately 99% of total private pension assets as at March 31, 2021. The number of active plans remained at 376<sup>6</sup> with 138,166 members by the end of the quarter, and total assets for active plans amounted to \$664.97 billion, a 1.89% increase from the previous period. (See: Figure 3.0 and Table 5)

Figure 3.0: Growth Trend in Number of Active Pension Plans



<sup>5</sup> Total Pooled Investments describes Type I Pooled Funds and some Deposit Administration Funds.

<sup>6</sup> The number of plans as at December 31, 2020 was restated to remove a specified fund which was inadvertently counted as a private pension plan.



## Active Plans by Type

### Defined Benefit vs. Defined Contribution

Defined Contribution (“DC”) plans continued to account for more than 70% of active pension plans and 85% of active membership during the quarter. Further, membership in DC plans grew at a faster rate (4.24%) than membership in Defined Benefit (“DB”) plans (1.09%). Notwithstanding DB plans accounted for over 60% of total active pension assets within the industry. As at March 31, 2021, total assets in DB and DC plans valued approximately \$401.90 billion and \$263.07 billion, having appreciated by 1.36% and 2.72% respectively. (See: Table 3)

**Table 3: Active Pension Plans by Benefit Type**

	Mar 2021	Dec 2020	Sep 2020 <sup>7</sup>
<b>Number of Plans</b>			
Defined Benefit	87	87	87
Defined Contribution	289	289	290
<b>Total Active Plans</b>	<b>376</b>	<b>376</b>	<b>377</b>
<b>Membership</b>			
Defined Benefit	19,891	19,677	19,677
Defined Contribution	118,275	113,463	113,470
<b>Total Membership</b>	<b>138,166</b>	<b>133,140</b>	<b>133,147</b>
<b>Assets Values</b>			
Defined Benefit (\$' Millions)	401,897	396,501	377,109
Defined Contribution (\$' Millions)	263,074	256,111	251,368
<b>Total Asset Values (\$' Millions)</b>	<b>664,972</b>	<b>652,612</b>	<b>628,477</b>

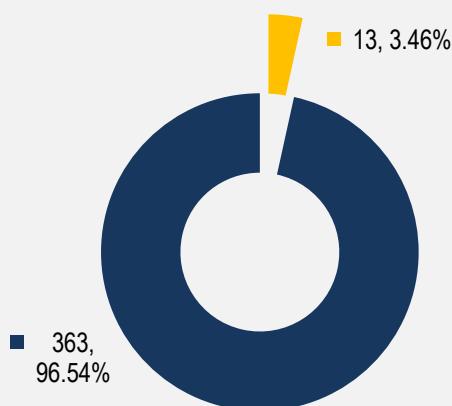
*December and September 2020 were restated.*

### Superannuation Funds vs. Retirement Schemes

As at March 31, 2021, there were 363 active superannuation funds (“SF”) which accounted for approximately 92% of private pension assets or \$610.78 billion. This represented a 1.76% increase from the previous period. The remaining \$54.19 billion was attributed to 13 retirement schemes (“RS”), which grew by 3.48% from the \$52.36 billion reported as at December 31, 2020.

Membership in RS continued to grow at a faster rate than SF – 4.64% and 2.92% respectively. Consequently, RS membership superseded SF membership by the end of the quarter, a first for RS. While increased RS membership has played an integral role in this shift, the closure of SF over the years and the consequent loss of active membership in those plans are also contributing factors. (See: Figures 3.1 to 3.5)

**Figure 3.1: Number of Superannuation Funds vs Retirement Schemes**

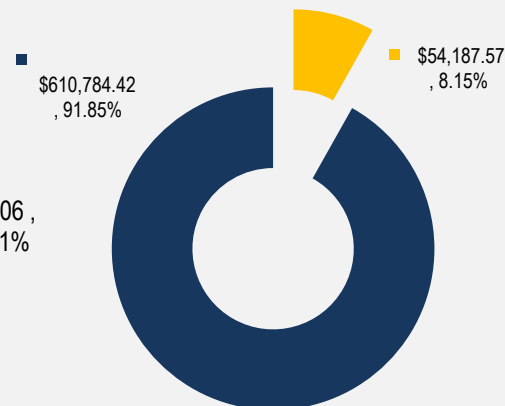


**Figure 3.2: Number of Members in Superannuation Funds and Retirement Schemes**



■ Retirement Schemes ■ Superannuation Funds

**Figure 3.3: Assets in Superannuation Funds vs Retirement Schemes (\$'Millions)**



<sup>7</sup> September 2020 information was also restated due to the removal of the specified fund which was inadvertently counted as a private pension plan

Figure 3.4: Asset Values for Superannuation Funds

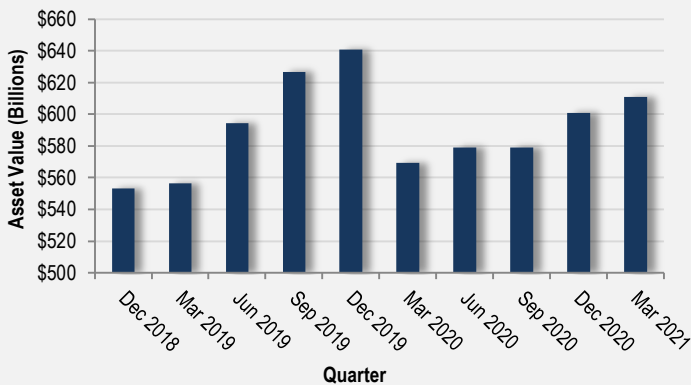
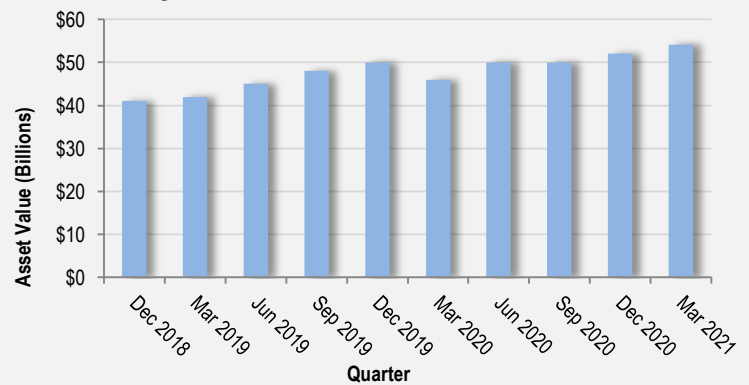


Figure 3.5: Asset Values for Retirement Schemes



## Active Superannuation Funds by Industry

While the Planning Institute of Jamaica (“PIOJ”) reported an overall economic contraction of 5.7% for January to March 2021, all industries saw increases in private pension assets by the end of the quarter. Further, SF within the Tourism industry experienced the largest growth (3.99%) in assets during the period, despite the industry experiencing the largest contraction during the period. Membership in tourism-related SF contracted by 2.35%; however it is expected that there will be a rebound once the application period for the Tourism Workers Pension Scheme begins. The Mining/Bauxite industry experienced the largest growth in membership (61.65%) while the Manufacturing industry saw the largest contraction in membership (6.90%).

The Commerce and Finance sector, which accounts for the largest portion of private pension assets (37.10%), closed out the quarter with total assets valued at \$226.61 billion, a 1.22% increase from the previous period. The Services industry retained the largest portion of participants (35.09%) and SF (36.91%). (See: Figures 3.6 to 3.8)

Figure 3.6: Percentage of Active Funds by Industry

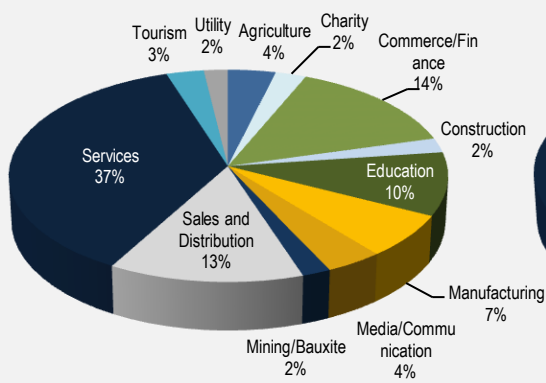


Figure 3.7: Active Membership in Funds by Industry

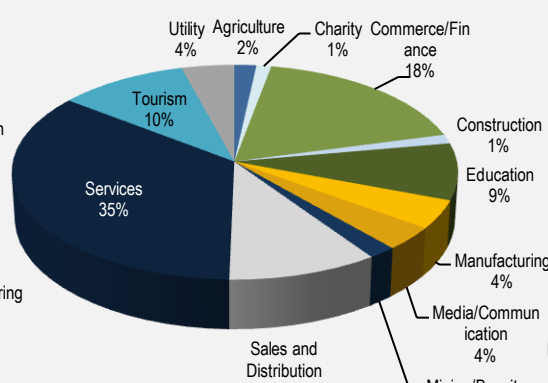
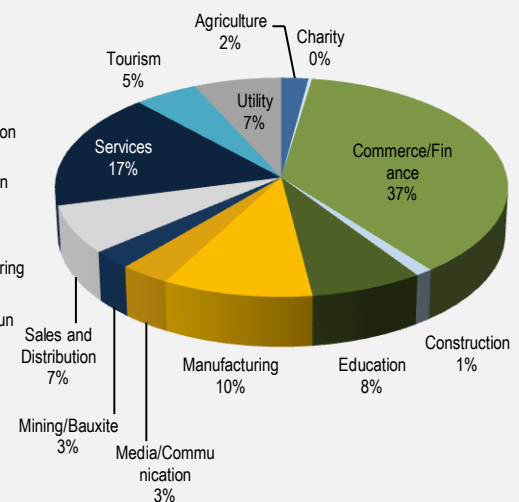


Figure 3.8: Asset Values for Funds by Industry



## Solvency of Active Pension Plans

As at March 31, 2021, 347 or 96% of the 360 pension plans for which the FSC received solvency data were solvent. The majority of valuations received by the FSC were completed as at 2018 to 2020 plan year ends, and revealed that 99% of DB plans and 94% of DC plans were solvent. Thirty-six percent (36%) or 131 of the 360 pension plans had valuations completed as at 2017 or earlier. While 97%

of those plans were solvent, updated solvency positions which reflect the current climate will be required in upcoming quarters. (See: Figure 3.11)

Notwithstanding the strong solvency position of the majority of DB plans, trustees should continue to monitor the plans' liabilities and ensure that the sponsors quickly address any shortfall in assets available to fund those liabilities. Likewise, trustees of DC plans, especially those which are insolvent, should make every effort to regularly review the plans' asset allocations and investment strategies as well as monitor the payment of contributions, to increase and maintain the assets available for members' benefits.

Plan Year End	Benefit Type	Solvency Level based on AVR & CFR					% of plans which are solvent
		Number of plans	Less than 100%	Between 100% and 120%	Between 120% and 150%	Greater than 150%	
2020	DB	5	0	0	4	1	100%
	DC	10	1	8	1	0	90%
	<b>Total</b>	<b>15</b>	<b>1</b>	<b>8</b>	<b>5</b>	<b>1</b>	<b>93%</b>
2019	DB	23	0	5	8	10	100%
	DC	73	4	50	10	9	95%
	<b>Total</b>	<b>96</b>	<b>4</b>	<b>55</b>	<b>18</b>	<b>19</b>	<b>96%</b>
2018	DB	28	1	4	8	15	96%
	DC	90	3	64	18	5	97%
	<b>Total</b>	<b>118</b>	<b>4</b>	<b>68</b>	<b>26</b>	<b>20</b>	<b>97%</b>
2017 and earlier	DB	30	1	7	9	13	97%
	DC	101	3	68	25	5	97%
	<b>Total</b>	<b>131</b>	<b>4</b>	<b>75</b>	<b>34</b>	<b>18</b>	<b>97%</b>

## Inactive and Terminating Pension Plans

Total assets in inactive plans were valued at \$268.65 billion as at March 31, 2021, representing a 1.13% increase from the previous quarter. Membership in inactive plans experienced a 7.86% reduction to end the quarter at 1,724 members while the number of inactive plans in the industry remained the same (17). By March 31, 2021, terminating plans had accounted for \$8.00 billion in private pension assets, a 9.43% reduction from the \$8.83 billion reported as at December 31, 2020. During the quarter, the number of terminating plans remained at 422, which represents 52% of the plans within the private pensions industry. Likewise, membership in terminating plans receded by more than 50%. Evidently, efforts are being made to complete pay-outs and finalize the windups of these terminating pension plans. (See: Tables 5 and 6)

**Table 5: Inactive Pension Plans by Benefit Type**

	Mar 2021	Dec 2020	Sep 2020
<b>Number of Plans</b>			
Defined Benefit	4	4	4
Defined Contribution	13	13	13
<b>Total Inactive Plans</b>	<b>17</b>	<b>17</b>	<b>17</b>
<b>Membership</b>			
Defined Benefit	1,668	1815	1815
Defined Contribution	56	56	56
<b>Total Membership</b>	<b>1,724</b>	<b>1,871</b>	<b>1,871</b>
<b>Asset Values</b>			
Defined Benefit (\$' Mil)	205	202	212
Defined Contribution (\$' Mil)	64	63	62
<b>Total Asset Values (\$' Mil)</b>	<b>269</b>	<b>266</b>	<b>274</b>

**Table 6: Terminating Pension Plans by Benefit Type**

	Mar 2021	Dec 2020	Sep 2020
<b>Number of Plans</b>			
Defined Benefit	102	102	102
Defined Contribution	320	320	319
<b>Total Terminating Plans</b>	<b>422</b>	<b>422</b>	<b>421</b>
<b>Membership</b>			
Defined Benefit	146	363	363
Defined Contribution	330	600	567
<b>Total Membership</b>	<b>476</b>	<b>963</b>	<b>930</b>
<b>Asset Values</b>			
Defined Benefit (\$' Mil)	4,826	5,104	5,217
Defined Contribution (\$' Mil)	3,175	3,730	5,042
<b>Total Asset Values (\$' Mil)</b>	<b>8,001</b>	<b>8,834</b>	<b>10,259</b>

*December and September 2020 were restated.*



## Investment Managers

During the March quarter, one (1) Securities Dealer (“SD”) surrendered its license while a credit union was licensed as an investment manager (“IM”) and administrator. Consequently, the number of IMs remained at 25 as at March 31, 2021. SDs continued to account for the largest number of IMs (15), and managed the largest portion of assets valued at \$370.10 billion which represented quarterly growth of 1.96%. Two (2) Life Insurance Companies (“LICs”) had the second largest portion of private pension assets under management as at March 31, 2021, totalling \$249.11 billion. Together, SDs and LICs accounted for approximately 92% of private pension assets. The remaining assets were managed by two (2) credit unions and six (6) other IMs. (See Figure 3.9 and Table 7)

Figure 3.9: Investment Managers' Share of Market Assets

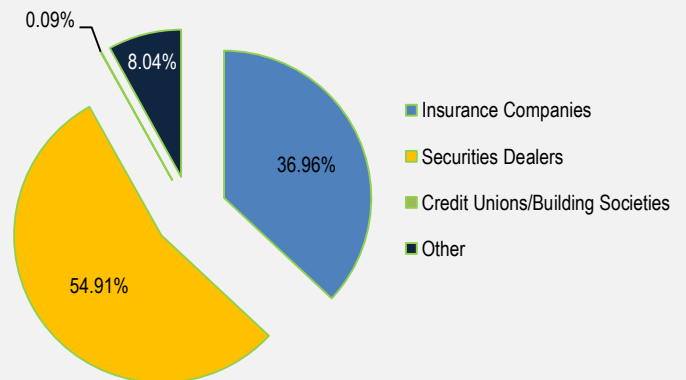


Table 7: Total Assets under Management of Investment Managers

Investment Managers	Number of Entities Mar 2021	Asset Values Mar 2021 (\$'Millions)	Number of Entities Dec 2020	Asset Values Dec 2020 (\$'Millions)	Number of Entities Sep 2020	Asset Values Sep 2020 (\$'Millions)
Insurance Companies	2	249,108	2	245,762	3	331,417
Securities Dealers	15	370,095	16	362,969	15	255,356
Credit Unions	2	584	1	567	1	552
Other	6	54,187	6	53,154	6	51,684
<b>Total</b>	<b>25</b>	<b>673,975</b>	<b>25</b>	<b>662,451</b>	<b>25</b>	<b>639,009</b>

December and September 2020 were restated.

## RISK OUTLOOK

As the pandemic continues to affect the Jamaican economy, the PIOJ predicts that real GDP will contract in the range of 10% to 12% for the remainder of the 2020/21 fiscal year. Given that the services industry accounts for the largest portion of membership and pension plans, continued contraction within the economy could result in a reduction in numbers. However, this reduction may be stymied by the government's continued efforts in facilitating vaccinations of the public and relaxation of COVID-19 protocols which have curtailed business operations.

The Statistical Institute of Jamaica reported an unemployment rate of 8.9% as at January 2021, a 16.8% reduction from the 10.7% reported as at October 2020. While this movement is reflective of recovery, the challenge of increasing pension coverage still remains as the general public grapples with the effects of the pandemic on their standard of living. Additionally returning business operations to pre-COVID levels may take some time and individuals who are not members of SF may be hesitant to join RS as disposable income has been eroded by loss of income.



Notwithstanding the BOJ's prediction of an increase in the inflation rate during the March quarter, annual inflation remained at 5.2% as at March 31, 2021. Nevertheless, inflation is projected to fluctuate over the next eight quarters, but average at 4.8%. Fluctuations in inflation could have an adverse effect on the real yields achieved by DC plans and the ensuing rate credited to members' contributions. Additionally, any increase in inflation would reduce disposable income, thus lessening the funds available for retirement savings.



Equities continue to be one of the most volatile assets held by pension plans, and this was evidenced by the numerous oscillations on the JSE Main Index during the March quarter. While equity investments held by pension plans grew by 5.68% as at March 31, 2021, the JSE Main Index moved from 395,614.93 points as at December 31, 2020 to 394,659.55 points by the end of the quarter. To reduce potential losses due to volatility, trustees and agents should continue to actively monitor investments in stocks and shares and the movements in the market, as well as take advantage of alternative investment opportunities permitted by the Investment Regulations.



Crediting members' accounts with an interest rate less than the yield earned on assets, and the non-allocation of excess accumulated funds continues to be a common practice among DC plans. However, this practice may result in lower income replacement ratios. As members retire or get closer to retirement, especially during this pandemic, trustees of DC plans should ensure that all strategies employed are in the best interest of the members and maximum benefits are being provided.



As climate change becomes a growing concern globally, there exists a threat to the long-term sustainability of pension assets and ultimately the Jamaican economy. To mitigate against climate risk, trustees must continue to actively consider environmental, social and governance factors in the investment process as stipulated by the Investment Regulations, and the impact the factors may have on members' benefits.

## SUMMARY

As at March 31, 2021, the total value of assets in Jamaica's private pensions industry increased by 1.74% to \$673.97 billion. Also, plan membership increased by 3.23%, and contributed to an increase in private pension coverage. Notwithstanding the growth seen during the quarter, trustees and agents must remain vigilant amidst uncertainties in the economy and society. Consequently, proper risk management strategies must be employed to protect the interests of members and their beneficiaries.

The FSC, in partnership with all industry stakeholders and through active monitoring and supervision of the developments within the Jamaican private pensions industry, will continue to fulfill its mandate of promoting integrity within the industry, and by extension Jamaica's financial sector.