

# PRIVATE PENSIONS INDUSTRY STATISTICS

**JUNE  
2021**

## OVERVIEW

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Assets held within the Jamaican private pensions industry increased by 3.23% during 2021 Q2, the second largest percentage growth experienced since the beginning of the COVID-19 pandemic (December 2020 – 3.74%). Consequently, the private pension industry has almost recovered to the pre-COVID level. Additionally, membership in active plans increased during the quarter, notwithstanding the termination of three (3) plans, and the submission of updated actuarial valuations revealed that the majority of pension plans remain solvent.

As at June 30, 2021, the total value of assets in the industry amounted to **\$695.74 billion**.

# OVERVIEW (cont'd)

## Key changes over the June 2021 quarter:



**PRIVATE PENSION ASSETS • 3.23%**  
JUN 2021: **\$695.74B**, MAR 2021: **\$673.97B**



**NUMBER OF PLANS<sup>1</sup> REMAINED THE SAME**  
JUN 2021: **815**, MAR 2021: **815**



**MEMBERSHIP • 0.88%**  
JUN 2021: **141,606**, MAR 2021: **140,366**



**PENSION COVERAGE REMAINED THE SAME**  
JUN 2021: **11.56%**, MAR 2021: **11.56%**

The industry experienced an average growth of 2.77% per quarter over the past five years.

During the quarter, total membership reported for private pension plans increased by 0.88%. The Jamaican employed labour force<sup>2</sup> also saw a 0.56% increase during the period. Both increases resulted in private pension coverage in active and all plans ultimately remaining the same (11.56% and 11.74% respectively).

Figure 1.0: Growth Trend of Total Industry Assets

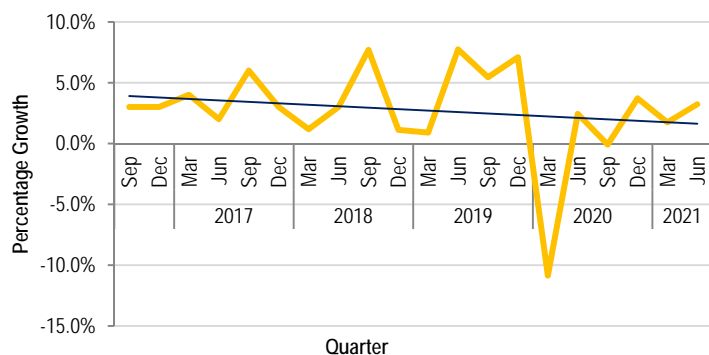


Figure 1.1: Pension Coverage in the Jamaican Private Pensions Industry

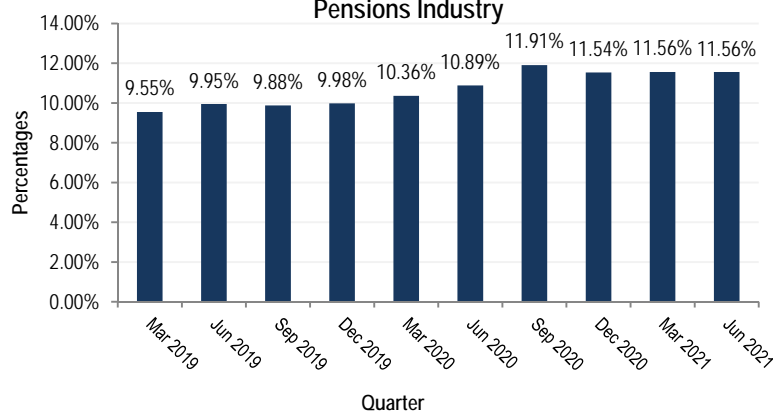
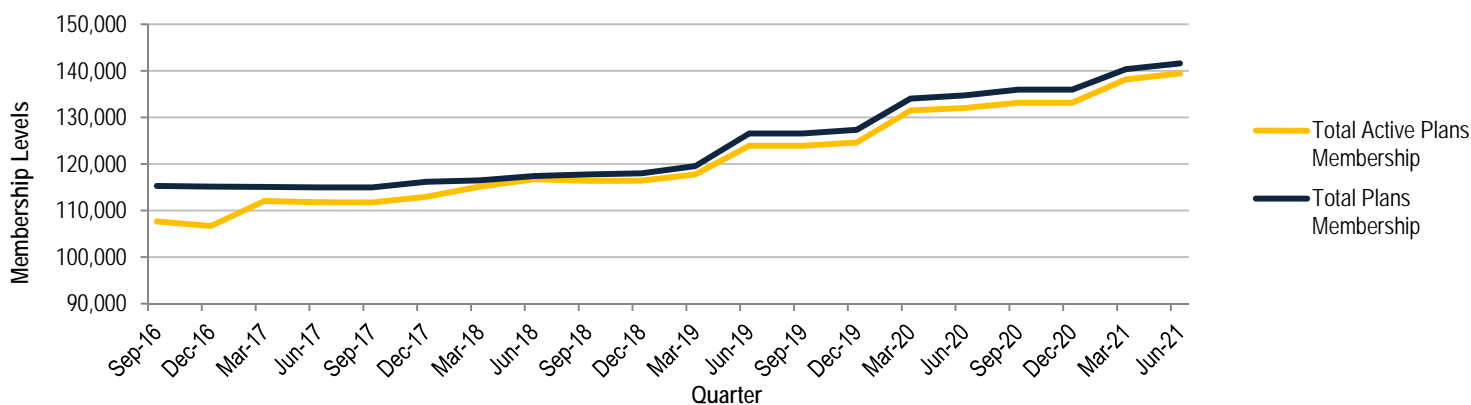


Figure 1.2: Growth Trends in Membership Levels of Active Pension Plans vs All Pension Plans



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

<sup>2</sup> The Jamaican employed labour force as at April 30, 2021 was 1,206,000 according to the Planning Institute of Jamaica (pioj.gov.jm).

# INVESTMENT MIX

## Private Pension Assets

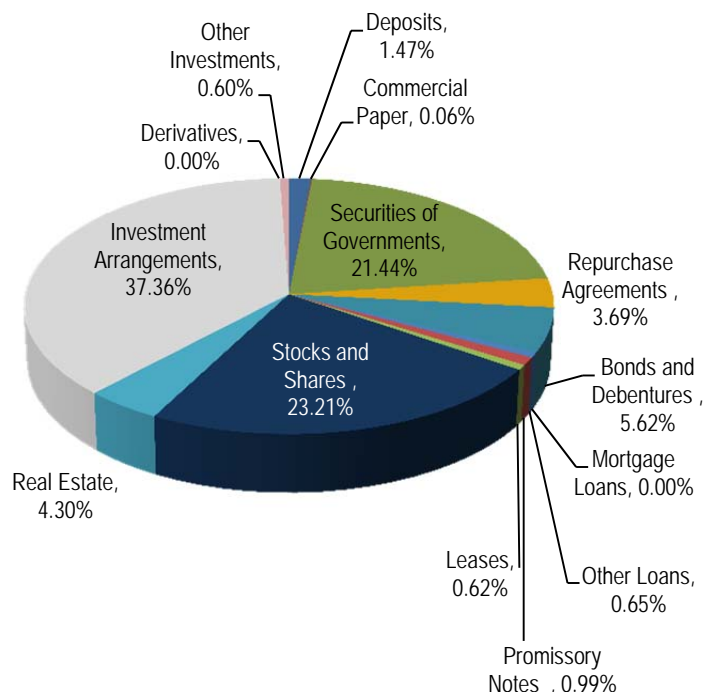
During the June 2021 quarter, monies invested in the top three (3) asset classes - pooled investment arrangements ("PIAs"), stocks and shares and Government of Jamaica ("GOJ") securities – grew by 3.61%, 6.22% and 2.24% respectively. Consequently, assets invested in PIAs were valued \$260.59 billion as at June 30, 2021, representing 37.36% of total private pension assets. Direct investments in stocks and shares, which accounted for 23.21% of total private pension assets, valued \$161.89 billion. Investments in GOJ securities closed out the quarter at \$149.53 billion (21.44%), which is the largest dollar value for the asset class that has ever been reported. Similarly, investments in real estate and repurchase agreements were at their highest ever reported as at the end of the quarter.

Notably, deposits experienced the largest quarterly (14.11%) and annual (79.15%) growth. On the other hand, the value of promissory notes contracted by 38.36% during the quarter. Total assets reported for the majority of the remaining asset classes increased during the period. (See: Figures 2.0 and 2.1)

### Key changes:

- ↑
**TOTAL INVESTMENTS IN STOCKS & SHARES • 6.22%**  
 JUN 2021: **\$161.89B**, MAR 2021: **\$152.40B**
- ↑
**TOTAL INVESTMENTS IN BONDS & DEBENTURES • 7.29%**  
 JUN 2021: **\$39.18B**, MAR 2021: **\$36.52B**
- ↓
**TOTAL INVESTMENTS IN PROMISSORY NOTES • 38.36%**  
 JUN 2021: **\$6.90B**, MAR 2021: **\$11.19B**
- ↑
**TOTAL DEPOSITS • 79.15%**  
 JUN 2021: **\$10.26B**, JUN 2020: **\$5.73B**

Figure 2.0: Allocation of Total Private Pension Assets as at June 30, 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
	Jun-21		Mar-21			
Deposits	10,262.45	1.47%	8,993.65	1.33%	14.11%	79.15%
Commercial Paper	415.54	0.06%	417.53	0.06%	-0.48%	23.15%
Securities of Governments	149,526.46	21.44%	146,252.27	21.71%	2.24%	5.40%
Repurchase Agreements	25,732.81	3.69%	24,679.55	3.66%	4.27%	1.34%
Bonds and Debentures	39,182.67	5.62%	36,519.84	5.42%	7.29%	-3.69%
Mortgage	25.14	0.00%	25.77	0.00%	-2.46%	-43.48%
Other Loans	4,528.20	0.65%	4,018.61	0.60%	12.68%	-2.23%
Promissory Notes	6,898.57	0.99%	11,192.57	1.66%	-38.36%	9.42%
Leases	4,355.75	0.62%	4,216.32	0.63%	3.31%	12.15%
Stocks and Shares	161,888.85	23.21%	152,402.59	22.62%	6.22%	14.89%
Real Estate	29,967.76	4.30%	29,805.05	4.42%	0.55%	7.41%
Investment Arrangements	260,592.66	37.36%	251,508.55	37.33%	3.61%	8.85%
Derivatives	0.00	0.00%	0.00	0.00%	-	-
Other Investments	4,172.10	0.60%	3,699.21	0.55%	12.78%	15.28%
Total Investments	697,548.96	100.00%	673,731.50	100.00%	3.54%	8.87%
Other Net Assets	-1,810.27		239.38		-856.24%	-100.57%
Total Assets	695,738.69		673,970.88		3.23%	8.74%

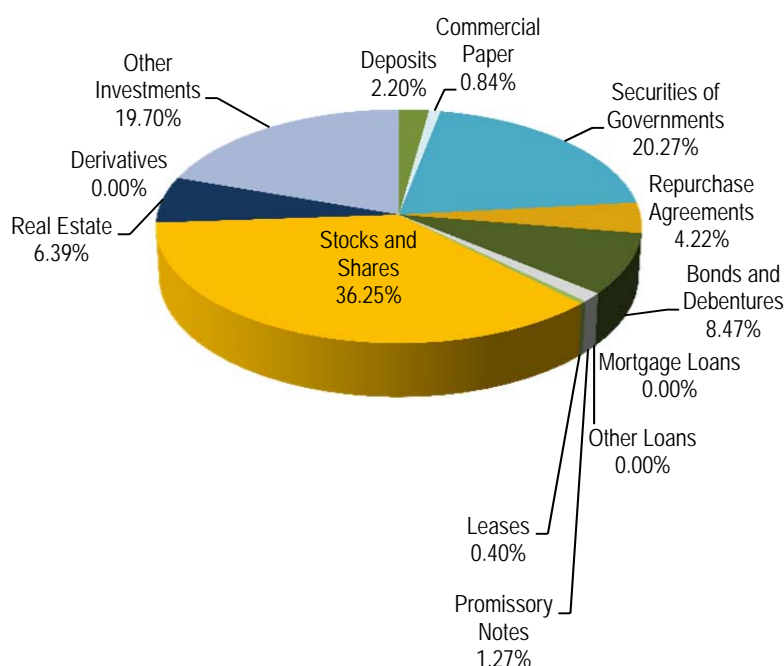
*The March 2021 quarter was restated.*

## Pooled Investment Arrangements (“PIAs”)

As at June 30, 2021, investments in Type I, Type II Pooled Funds and Deposit Administration Funds, which constitute the PIA portfolio, valued \$260.59 billion. The 3.61% increase over the quarter resulted in the value of assets invested in PIAs being within close proximity to pre- pandemic levels. Indirect investments in stocks and shares (\$92.18 billion or 36.25%), GOJ securities (\$51.55 billion or 20.27%) and other investments<sup>3</sup> (\$50.09 billion or 19.70%) remained the three largest asset classes within the portfolio, having grown 7.70%, 0.03% and 1.81% respectively.

Similar to the reduction in direct investments in promissory notes, indirect investments in promissory notes saw the largest contraction during the quarter (11.22%). Assets invested in the majority of the remaining classes grew during the period.

**Figure 2.1: Allocation of Pension Assets in Pooled Investment Arrangements as at June 30, 2021**



### Key changes over the quarter:

<sup>3</sup> This primarily consists of investments in collective investment schemes.



**TOTAL INVESTMENTS IN PIA • 3.61%**  
**JUN 2021: \$260.59B, MAR 2021: \$251.51B**



**INDIRECT INVESTMENTS IN LEASES • 8.68%**  
**JUN 2021: \$1.02B, MAR 2021: \$935.46M**



**INDIRECT INVESTMENTS IN PROMISSORY NOTES • 11.22%**  
**JUN 2021: \$3.22B, MAR 2021: \$3.63B**

**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
	Jun-21		Mar-21			
Deposits	5,593.45	2.20%	5,689.54	2.32%	-1.69%	0.33%
Commercial Paper	2,127.01	0.84%	2,066.60	0.84%	2.92%	0.27%
Securities of Governments	51,554.05	20.27%	51,540.70	20.98%	0.03%	-31.41%
Repurchase Agreements	10,731.16	4.22%	11,266.51	4.59%	-4.75%	-34.32%
Bonds and Debentures	21,550.19	8.47%	20,213.37	8.23%	6.61%	23.30%
Mortgage	0.07	0.00%	0.07	0.00%	0.00%	0.00%
Other Loans	0.00	0.00%	0.00	0.00%	-	-
Promissory Notes	3,224.67	1.27%	3,632.07	1.48%	-11.22%	26.44%
Leases	1,016.63	0.40%	935.46	0.38%	8.68%	56.69%
Stocks and Shares	92,182.29	36.25%	85,588.39	34.84%	7.70%	14.30%
Real Estate	16,257.11	6.39%	15,540.93	6.33%	4.61%	-39.60%
Investment Arrangements	0.00	0.00%	0.00	0.00%	-	-
Other Investments	50,090.49	19.70%	49,201.52	20.03%	1.81%	1,055.10%
Total Pooled Investments <sup>4</sup>	254,327.11	100.00%	245,675.15	100.00%	3.52%	9.73%
Other Net Assets	998.57		858.74		16.28%	1.40%
Other Investment Arrangements	5,266.98		4,974.66		5.88%	-20.66%
Total Assets	260,592.66		251,508.55		3.61%	8.85%

# OPERATING STATISTICS

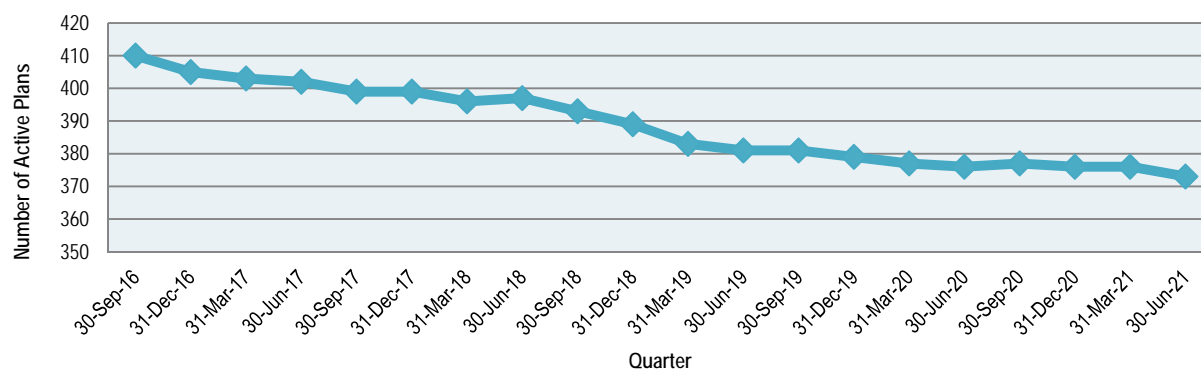
## Active Pension Plans

Notwithstanding the termination of three (3) pension plans during the quarter, active pension plans continued to account for almost 46% of plans within the private pensions industry, and approximately 99% of total private pension assets as at June 30, 2021. Following a 3.32% increase in assets and 0.91% increase in membership over the quarter, total assets for the 373 active plans valued \$686.96 billion and membership in those plans accumulated to 139,419. (See: Figure 3.0 and Table 3)

<sup>4</sup> Total Pooled Investments describes Type I Pooled Funds and some Deposit Administration Funds.



Figure 3.0: Growth Trend in Number of Active Pension Plans



## Active Plans by Type

### Defined Benefit vs. Defined Contribution

Total assets in Defined Contribution ("DC") and Defined Benefit ("DB") plans valued approximately \$273.28 billion and \$413.68 billion by the end of the quarter, having appreciated by 3.91% and 2.93% respectively. Consequently, DB plans continued to account for over 60% of total active pension plan assets within the industry, while recording 23% of active plans and 14% of membership. Notwithstanding a reduction in the number of DC plans during the period, membership grew during the quarter by 1.08%. Conversely, total membership in DB plans reduced by 0.10% during the period. (See: Table 3)

Table 3: Active Pension Plans by Benefit Type

	June 2021	Mar 2021	Dec 2020
<b>Number of Plans</b>			
Defined Benefit	87	87	87
Defined Contribution	286	289	289
<b>Total Active Plans</b>	<b>373</b>	<b>376</b>	<b>376</b>
<b>Membership</b>			
Defined Benefit	19,872	19,891	19,677
Defined Contribution	119,547	118,275	113,463
<b>Total Membership</b>	<b>139,419</b>	<b>138,166</b>	<b>133,140</b>
<b>Assets Values</b>			
Defined Benefit (\$' Millions)	413,677	401,893	396,501
Defined Contribution (\$' Millions)	273,283	262,999	256,111
<b>Total Asset Values (\$' Millions)</b>	<b>686,960</b>	<b>664,892</b>	<b>652,612</b>

*March 2021 was restated.*

### Superannuation Funds vs. Retirement Schemes

The number of retirement schemes ("RS") as at June 30, 2021 remained at 13; however, the number of active superannuation funds ("SF") reduced to 360 by the end of the quarter. Nevertheless, assets in SF increased by 3.24% to \$630.50 billion, approximately 92% of private pension assets. The remaining 8% of assets attributed to RS grew by 4.19% to close the quarter at \$56.46 billion, which exceeds assets reported prior to the onset of COVID-19.

In addition to the reduction in the number of SF, membership in RS continued to grow at a faster rate than SF: 1.67% and 0.13% respectively resulting in a greater disparity between the memberships reported for the types of plans. (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

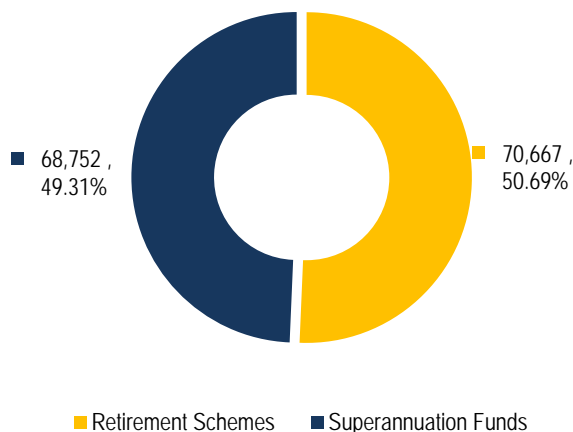


Figure 3.3: Assets in Superannuation Funds vs Retirement Schemes (\$'Millions)

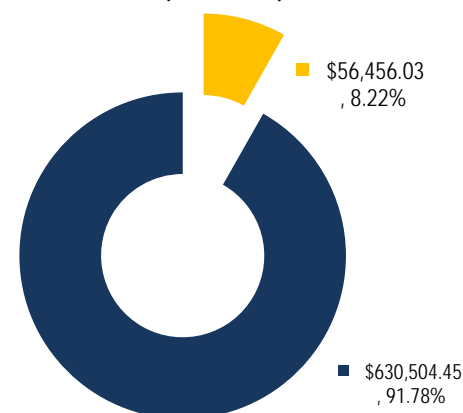


Figure 3.4: Asset Values for Superannuation Funds

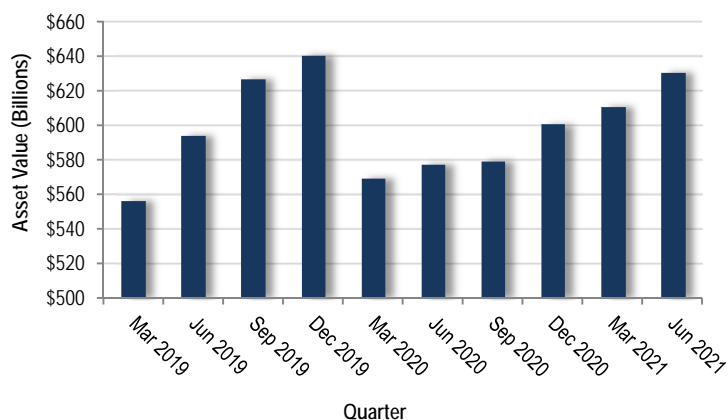
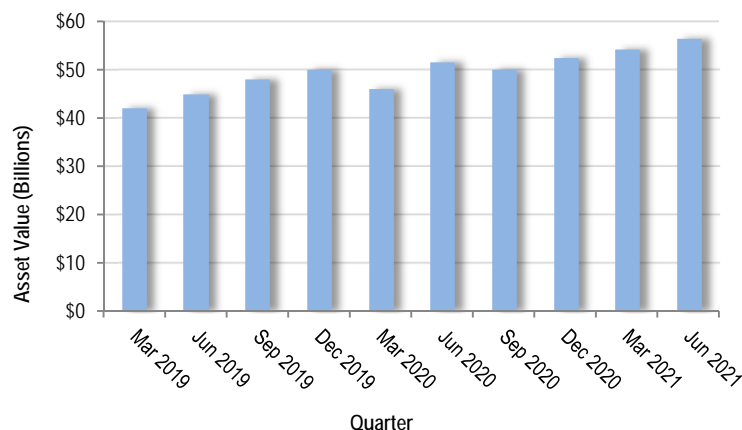


Figure 3.5: Asset Values for Retirement Schemes



## Active Superannuation Funds by Industry

Commensurate with the positive performance reported for Jamaica's economy during April to June 2021 by the Planning Institute of Jamaica ("PIOJ"), all industries saw an average increase of 3.27% in private pension assets by the end of the quarter. Similar to the previous quarter, the Tourism industry experienced the largest growth (4.98%) in assets during the period, and a contraction in membership of 1.17% which was partially due to the termination of a tourism-related plan. The Construction industry experienced the largest growth in membership (20.78%) while the Media/Communication industry saw the largest contraction in membership (1.98%), which was also partially due to the commencement of wind-up proceedings for a pension plan.

The Commerce and Finance sector, which accounts for the largest portion of private pension assets (36.99%), ended the quarter with total assets valued at \$233.20 billion, a 2.91% increase from the previous period. The Services industry retained the largest portion of participants (34.82%) and superannuation funds (36.94%), and the second largest portion of private pension assets (\$108.56 billion or 17.22%). (See: Figures 3.6 to 3.8)

Figure 3.6: Percentage of Active Funds by Industry

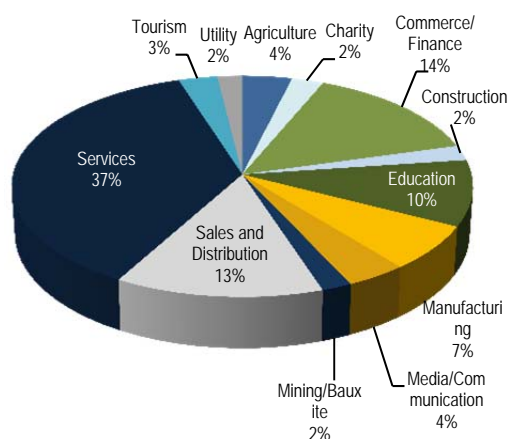


Figure 3.7: Active Membership in Funds by Industry

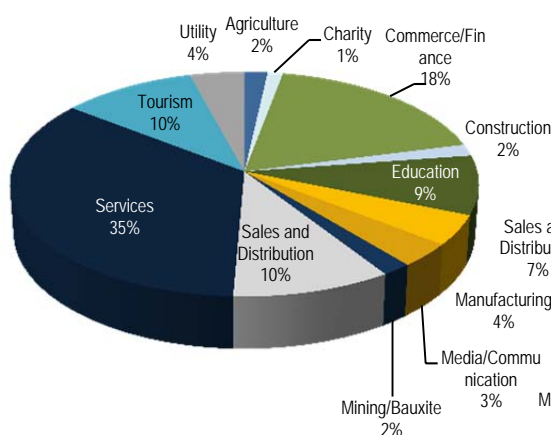
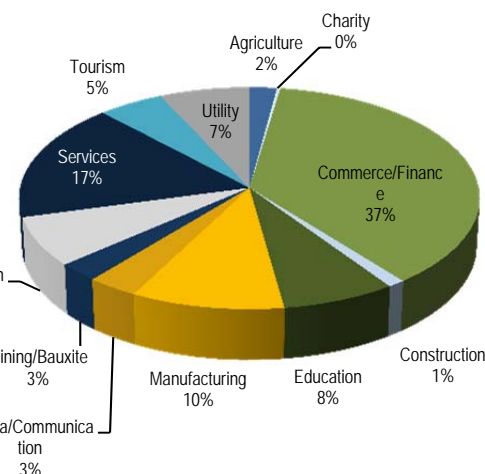


Figure 3.8: Asset Values for Funds by Industry



## Solvency of Active Pension Plans

Of the 357 active pension plans for which the FSC received solvency data as at June 30, 2021, 346 or 97% were solvent, a 1% increase from the previous period. During the quarter, the number of valuations completed as at 2020 plan year ends increased from 15 to 42, and revealed that 98% of those plans have maintained a solvency level above 100%. Nevertheless, the majority of actuarial valuations received by the FSC were completed as at 2018 to 2019 plan year ends, and revealed that 98% of DB plans and 97% of DC plans were solvent.

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.

Table 4: Solvency of Active Pension Plans

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	10	1	2	4	3	90%
	DC	32	0	28	4	0	100%
	<b>Total</b>	<b>42</b>	<b>1</b>	<b>30</b>	<b>8</b>	<b>3</b>	<b>98%</b>
2019	DB	25	0	5	9	11	100%
	DC	78	2	56	11	9	97%
	<b>Total</b>	<b>103</b>	<b>2</b>	<b>61</b>	<b>20</b>	<b>20</b>	<b>98%</b>
2018	DB	26	1	4	8	13	96%
	DC	86	3	60	18	5	97%
	<b>Total</b>	<b>112</b>	<b>4</b>	<b>64</b>	<b>26</b>	<b>18</b>	<b>96%</b>
2017 and earlier	DB	25	1	4	8	12	96%
	DC	75	3	49	18	5	96%
	<b>Total</b>	<b>100</b>	<b>4</b>	<b>53</b>	<b>26</b>	<b>17</b>	<b>96%</b>



## Inactive and Terminating Pension Plans

The number of inactive plans (17) and membership in those plans (1,724) remained the same during the quarter. However, total assets in inactive plans increased by 9.86% from the \$268.85 billion reported as at March 31, 2021, to \$295.13 million as at June 30, 2021. Conversely, assets and membership in terminating plans continued on trend and receded by 3.92% and 2.73% respectively during the quarter, notwithstanding an increase in the number of terminating plans (425, or 52% of private pension plans). Those 425 plans accounted for \$7.76 billion in private pension assets by the end of 2021 Q2. (See: Tables 5 and 6)

Table 5: Inactive Pension Plans by Benefit Type			
	Jun-21	Mar-21	Dec-20
Number of Plans			
Defined Benefit	4	4	4
Defined Contribution	13	13	13
Total Inactive Plans	17	17	17
Membership			
Defined Benefit	1,668	1,668	1815
Defined Contribution	56	56	56
Total Membership	1,724	1,724	1,871
Asset Values			
Defined Benefit (\$' Mil)	230	205	202
Defined Contribution (\$' Mil)	65	64	63
Total Asset Values (\$' Mil)	295	269	266

Table 6: Terminating Pension Plans by Benefit Type			
	Jun-21	Mar-21	Dec-20
Number of Plans			
Defined Benefit	102	102	102
Defined Contribution	323	320	320
Total Terminating Plans	425	422	422
Membership			
Defined Benefit	98	146	363
Defined Contribution	365	330	600
Total Membership	463	476	963
Asset Values			
Defined Benefit (\$' Mil)	4,641	4,826	5,104
Defined Contribution (\$' Mil)	3,118	3,175	3,730
Total Asset Values (\$' Mil)	7,760	8,001	8,834

## Investment Managers

The number of IMs remained at 25 during the quarter. Further, Securities Dealers ("SD") continued to account for the largest number of IMs (15), and managed the largest portion of assets valued at \$383.49 billion. This represented quarterly growth of 3.62%. While appreciation of assets contributed to this growth, the transfer of the sole pension plan managed by a credit union to a SD also played a part. Consequently, the two (2) licensed credit unions had no funds under management ("FUM") as at June 30, 2021. The remaining assets were managed by two (2) Life Insurance Companies ("LICs"), which had the second largest portion of FUM (\$256.35 billion) and six (6) other IMs (\$55.90 billion). Funds managed by LICs and other IMs increased by 2.91% and 3.15% respectively. (See Figure 3.9 and Table 7)

Figure 3.9: Investment Managers' Share of Market Assets

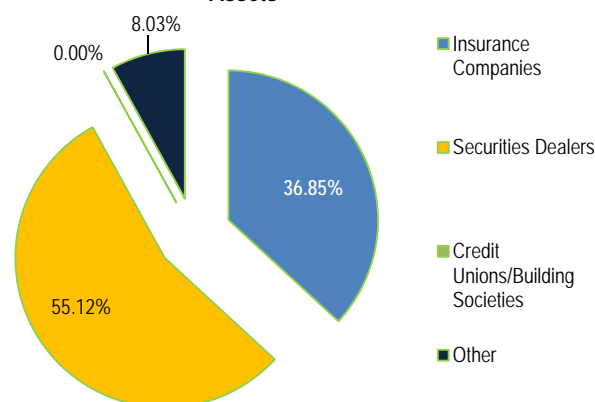


Table 7: Total Assets under Management of Investment Managers						
Investment Managers	Number of Entities Jun 2021	Asset Values Jun 2021 (\$'Millions)	Number of Entities Mar 2021	Asset Values Mar 2021 (\$'Millions)	Number of Entities Dec 2020	Asset Values Dec 2020 (\$'Millions)
Insurance Companies	2	256,349	2	249,108	2	245,762
Securities Dealers	15	383,493	15	370,095	16	362,969
Credit Unions	2	-	2	584	1	567
Other	6	55,896	6	54,187	6	53,154
Total	25	695,737	25	673,975	25	662,451

# RISK OUTLOOK

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The PIOJ reported overall growth of 12.9% in the goods and services industries during April to June 2021, a contrast from the 5.7% contraction in the last quarter. This growth was partially attributed to the relaxation of COVID-19 protocols during the period. However, as the government implements tighter restrictions given the detection of new COVID variants and the population's vaccine hesitancy, regression in the economy could be seen in the upcoming quarter, and could lead to a reduction in the number of active pension plans and pension plan membership within the various sectors.



The Statistical Institute of Jamaica reported an increase in the unemployment rate to 9% as at April 2021. As the pandemic continues to affect the Jamaican population's ability to live, work and do business, and by extension consider saving towards retirement, it is expected that increasing private pension coverage will continue to be a challenge over the medium term.



Following the reduction in inflation to 4.3% as at June 30, 2021, the BOJ has projected that inflation will average within a range of 5.5% to 6.5% (higher than the average rate of 4.8% previously projected) over the next eight quarters. This would mean a reduction in disposable income if actualized, thus lessening the funds available for retirement savings. Further, a higher inflation rate would impact the real yields achieved by DC plans and the ensuing rate credited to members' contributions.



The JSE Main Index moved from 397,354.26 points as at April 1, 2021 to 425,564.15 points by June 30, 2021, a positive moment compared to the previous quarter, which is reflective of the volatile nature of equities. While there was also an increase in assets invested in equities over the period, trustees and agents should continue to actively monitor investments in stocks and shares and the movements in the market to reduce any possible future losses due to volatility, as well as take advantage of alternative investment opportunities permitted by the Investment Regulations.



Natural disasters such as droughts, hurricanes, heat waves, wildfires, and floods as well as changes in government policies to address same, are expected to impact the global economy and thus investment returns. 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. Pension plan investments in companies whose operations could be severely affected by climate-related events could increase the plan's downside risk exposure and could result in a decline in investment returns in the event of a natural disaster. Similar events could hinder a plan sponsors' operations, especially those that are dependent on fair weather conditions for production, and in turn, affect their ability to fulfill their obligations to members. To mitigate against climate risk, when selecting investments, 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 the future viability of the plan as well as members' benefits. Further, it is recommended that trustees examine their current exposure to these risks by analyzing the potential financial performance of investments held in their portfolios with respect to projected climate change scenarios.



## SUMMARY

As at June 30, 2021, the total value of assets in the Jamaican private pensions industry amounted to \$695.74 billion, a 3.23% increase which has brought total assets within close proximity to values reported prior to the pandemic. Also, private pension coverage remained the same over the quarter due to marginal increases in both plan membership and the employed labour force. As the industry's assets continue to recover, prudence must be priority, as the economic outlook remains tenuous due to the prolonging of the pandemic.

The FSC will continue to fulfill its mandate of supervising the industry, and partner with trustees, sponsors, agents and other stakeholders, to foster stability within the industry and ultimately protect the benefits of pension plan members.