

# PRIVATE PENSIONS INDUSTRY STATISTICS

2021  
REVIEW

## OVERVIEW

### In this report:






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As at December 31, 2021, the total value of assets in the Jamaican private pensions industry amounted to **\$713.35 billion**.

Private pension assets exceeded pre-pandemic levels by the end of 2021 (Dec 2019: \$700.73B), resulting from consistent quarterly growth during the year and concomitant annual growth of 7.68%. This contrasts the fluctuation in asset values and overall 5.38% contraction experienced during the 2020 calendar year. Further, plan membership increased during 2021 notwithstanding the termination of four (4) pension plans, and 96% of active pension plans remained solvent.

# OVERVIEW (cont'd)

## Key changes in the industry over the 2021 calendar year:

-  **PRIVATE PENSION ASSETS • 7.68%**  
2021: **\$713.35B**, 2020: **\$662.45B**
-  **NUMBER OF PLANS<sup>1</sup> REMAINED THE SAME**  
2021: **815**, 2020: **815**
-  **NUMBER OF ACTIVE PLANS • -1.06%**  
2021: **372**, 2020: **376**
-  **MEMBERSHIP<sup>2</sup> • 4.26%**  
2021: **141,773**, 2020: **135,974**
-  **PENSION COVERAGE • -2.17%**  
2021: **11.29%**, 2020: **11.54%**

Marginal growth was noted during all quarters of 2021, resulting in an average quarter-to-quarter growth of 1.87% for the year. The industry has experienced an average growth of 2.60% per quarter and 6.36% per annum for the past five (5) years. While industry assets saw nominal growth of 7.68% over the calendar year, real growth for the period was negligible.

The employed labour force<sup>3</sup> increased at a faster rate (6.61%) than membership in private pension plans (4.26%) resulting in an overall decrease in private pension coverage by the end of the year. Consequently, as at December 31, 2021, active private pension coverage was 11.29% and total pension private coverage was 11.48%.

Figure 1.0: Annual Growth Trend of Total Industry Assets

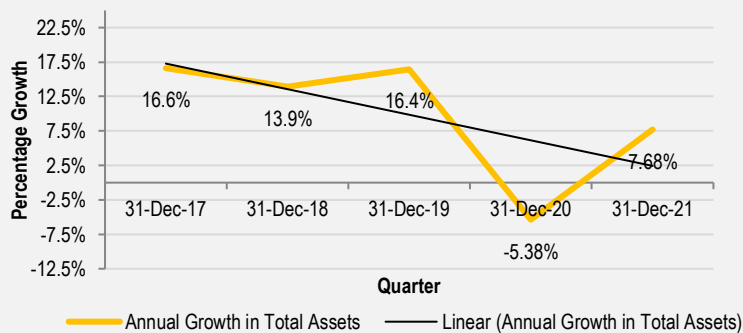


Figure 1.1: Annual Growth Trend in Total Membership of Active Private Pension Plans

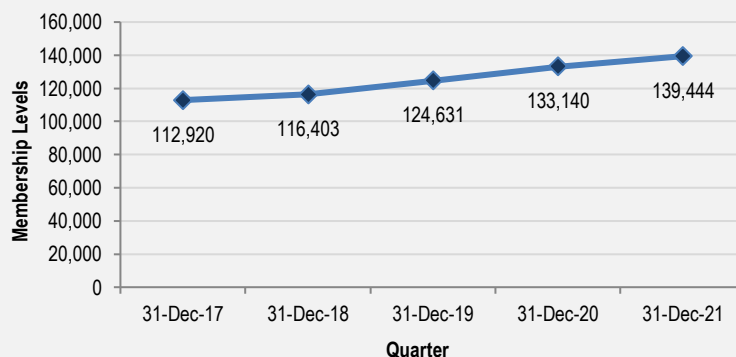
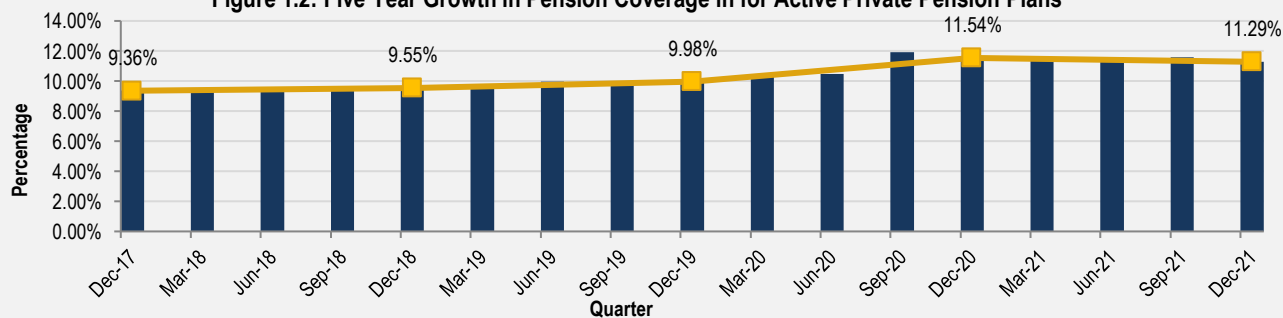


Figure 1.2: Five Year Growth in Pension Coverage in for Active Private Pension Plans



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

<sup>2</sup> This number represents membership in all plans.

<sup>3</sup> The Jamaican employed labour force as at October 31, 2021 was 1,234,800 according to the Planning Institute of Jamaica (pioj.gov.jm).

# INVESTMENT MIX

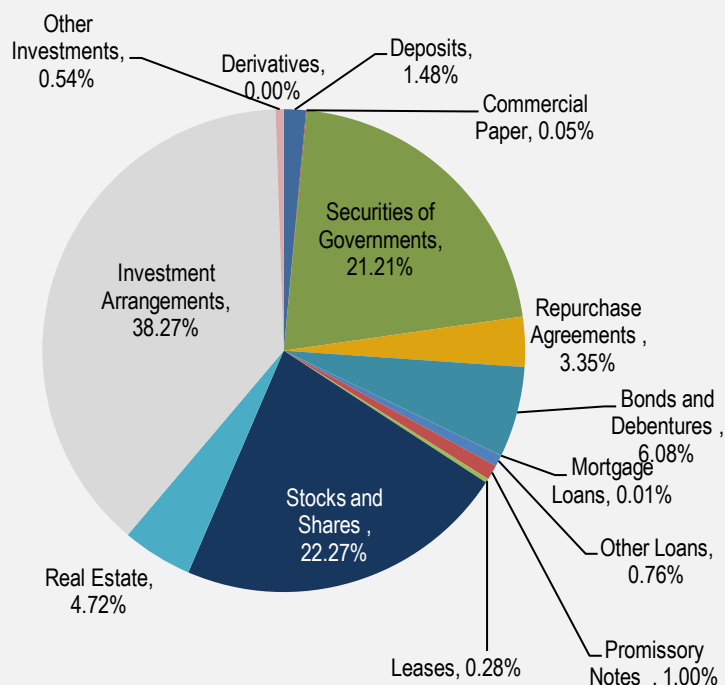
## Private Pension Assets

Investments in pooled arrangements, stocks and shares and Government of Jamaica (“GOJ”) securities remained the top three (3) asset classes during the calendar year and accounted for approximately 82% of private pension assets by the end of 2021. While pooled investment arrangements (“PIAs”) remained the largest asset class with \$273.54 billion (38.27%), direct investments in stocks and shares surpassed investments in GOJ securities to regain its position as the second largest asset class, having experienced annual growth of 10.42% to \$159.15 billion (22.27%). Investments in GOJ securities increased by 2.99% during the year to \$151.62 billion (21.21%). Notably, investments in PIA, equities and GOJ securities have seen respective 10.91%, 17.93% and 1.94% average annual growth over the past five (5) years.

Double-digit year-over-year percentage growth was also noted for leases, deposits, bonds and debentures, and other loans, accompanied by the largest dollar values ever reported for the latter three (3) asset classes. While there have been fluctuations in deposits during 2021, the overall increase may be reflective of the investment managers’ inability to quickly reinvest in higher yielding investments.

Other loans provided by pension plans experienced the largest annual growth (30.81%) as at December 31, 2021, which was attributed to an increase in the value of insurance premium financing provided by pension plans which are managed by one investment manager. Contrarily, the largest reduction in value during the year was seen for direct investments in promissory notes (32.58%), primarily due to the reclassification of those investments held by one investment manager to GOJ securities. (See: Figure 2.0, 2.1 and Table 1)

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



### Key changes in the Aggregate Investment Portfolio Mix over the 2021 calendar year:

- ↑
**TOTAL INVESTMENTS IN BONDS & DEBENTURES • 22.14%**  
**2021: \$43.43B, 2020: \$35.56B**
- ↑
**TOTAL INVESTMENTS IN OTHER LOANS • 30.81%**  
**2021: \$5.42B, 2020: \$4.14B**
- ↓
**TOTAL INVESTMENTS IN PROMISSORY NOTES • -32.58%**  
**2021: \$10.59B, 2020: \$7.14B**
- ➔
**STOCKS AND SHARES SURPASSED GOJ SECURITIES AS THE SECOND LARGEST ASSET CLASS. POOLED ARRANGEMENTS REMAINED THE LARGEST ASSET CLASS.**

Figure 2.1: Five Year Growth of the Largest Asset Classes within the Aggregate Private Pension Portfolio

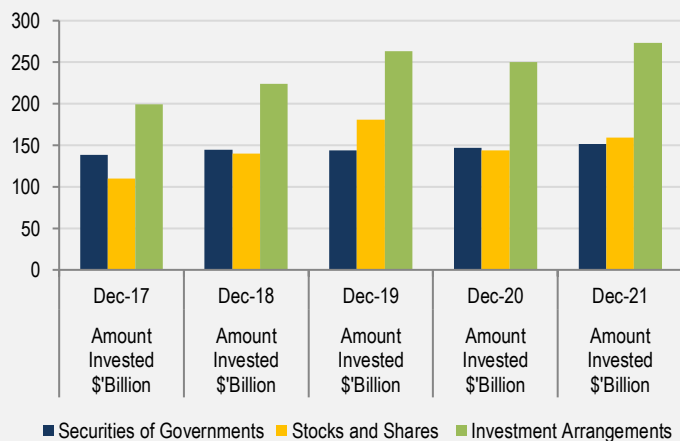


Table 1: Aggregate Investment Portfolio Mix

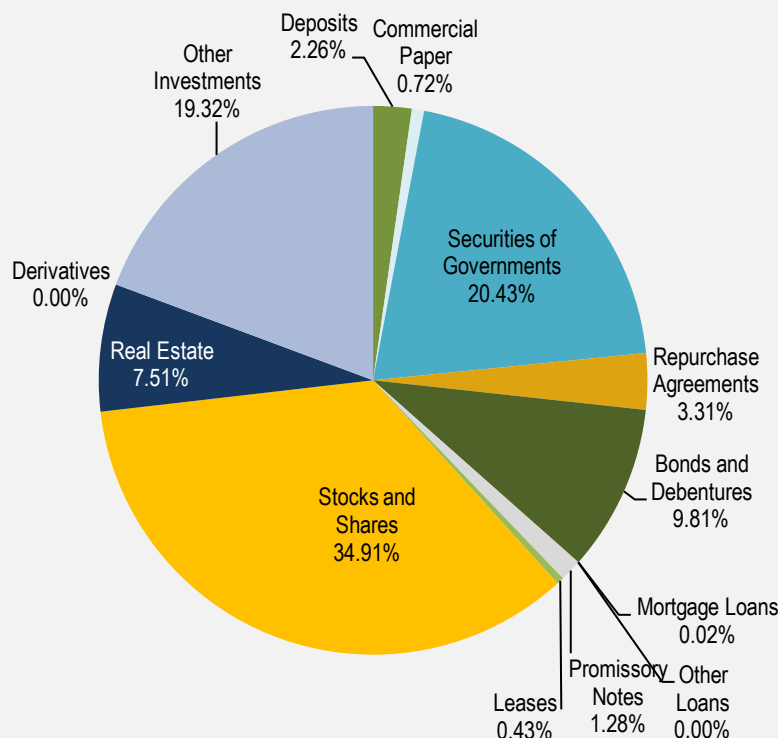
Types of Investment	Amount Invested \$' Millions	% Of Total Investments	Amount Invested \$' Millions	% Of Total Investments	Amount Invested \$' Millions	% Of Total Investments	Quarter over Quarter Growth in Asset Classes	Year over Year Growth in Asset Classes
	Dec-21		Sep-21		Dec-20			
Deposits	10,550.87	1.48%	9,878.16	1.42%	8,671.13	1.31%	6.81%	21.68%
Commercial Paper	388.63	0.05%	386.55	0.06%	414.57	0.06%	0.54%	-6.26%
Securities of Governments	151,562.81	21.21%	149,155.70	21.37%	147,168.99	22.23%	1.61%	2.99%
Repurchase Agreements	23,911.06	3.35%	26,550.21	3.80%	24,149.27	3.65%	-9.94%	-0.99%
Bonds and Debentures	43,425.75	6.08%	39,623.76	5.68%	35,555.20	5.37%	9.60%	22.14%
Mortgage Loans	41.06	0.01%	41.75	0.01%	62.21	0.01%	-1.65%	-33.99%
Other Loans	5,422.92	0.76%	4,610.62	0.66%	4,145.70	0.63%	17.62%	30.81%
Promissory Notes	7,140.41	1.00%	6,711.89	0.96%	10,590.77	1.60%	6.38%	-32.58%
Leases	4,549.04	0.64%	4,189.46	0.60%	4,027.81	0.61%	8.58%	12.94%
Stocks and Shares	159,146.10	22.27%	157,320.43	22.54%	144,133.78	21.77%	1.16%	10.42%
Real Estate	31,124.89	4.36%	29,978.87	4.30%	29,838.52	4.51%	3.82%	4.31%
Investment Arrangements	273,536.75	38.27%	265,181.01	37.99%	249,737.47	37.72%	3.15%	9.53%
Derivatives	0.00	0.00%	0.00	0.00%	0.00	0.00%	-	-
Other Investments	3,872.18	0.54%	4,360.72	0.62%	3,577.10	0.54%	-11.20%	8.25%
<b>Total Investments</b>	<b>714,672.48</b>	<b>100.00%</b>	<b>697,989.13</b>	<b>100.00%</b>	<b>662,072.52</b>	<b>100.00%</b>	<b>2.39%</b>	<b>7.94%</b>
Other Net Assets	-1,323.01		-1,424.52		379.41		7.13%	-448.70%
<b>Total Assets</b>	<b>713,349.47</b>		<b>696,564.62</b>		<b>662,451.93</b>		<b>2.41%</b>	<b>7.68%</b>

## Pooled Investment Arrangements (“PIAs”)

During 2021, the value of the PIA portfolio hit record-high, notwithstanding the uncertainties in the international markets resulting from the on-going supply chain disruptions partially caused by varying governments responses to the pandemic and the effects on asset prices. By December 31, 2021, the PIA portfolio, which consists of Type I and Type II Pooled Funds and Deposit Administration Funds, had grown by 9.53% year-over-year, in contrast to the 5.11% decline in 2020. Like the previous calendar year, indirect investments in stocks and shares (\$93.19 billion), GOJ securities (\$54.54 billion) and other investments<sup>4</sup> (\$51.59 billion) continued to account for approximately 75% of the portfolio.

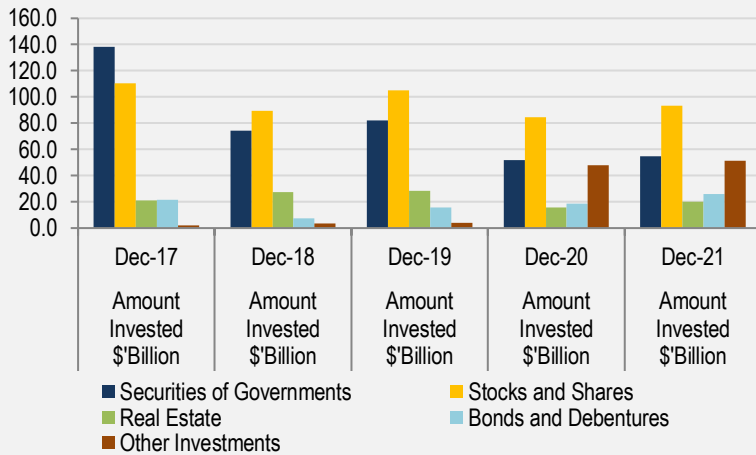
Most of the asset classes saw increases during 2021. Notably, one investment manager invested pension plan assets in other loans during the December 2021 quarter, a first in the PIA portfolio since the March 2020 quarter. Indirect investments in repurchase agreements saw the largest contraction during the year (30.80%), primarily due to the redirection of pension assets to bonds and debentures and GOJ securities. (See: Figure 2.3 and Table 2)

Figure 2.2: Allocation of Pension Assets in Pooled Investment Arrangements as at December 31, 2021



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

Figure 2.3: Five Year Growth of the Largest Asset Classes within the Pooled Investment Arrangements Portfolio



Key changes in the PIA over the 2021 calendar year:



TOTAL INVESTMENTS IN PIA • 9.53%  
2021: \$273.54B, 2020: \$249.74B



INDIRECT INVESTMENTS IN BONDS & DEBENTURES • 38.63%  
2021: \$26.19B, 2020: \$18.89B



INDIRECT INVESTMENTS IN REPURCHASE AGREEMENTS • -30.80%  
2021: \$8.85B, 2020: \$12.78B



PENSION PLAN ASSETS WERE INVESTED IN OTHER LOANS.

Table 2: Pooled Investment Arrangement Portfolio Mix

Types of Investment	Amount Invested \$' Millions	% Of Total Investments	Amount Invested \$' Millions	% Of Total Investments	Amount Invested \$' Millions	% Of Total Investments	Quarter over Quarter Growth in PIAs	Year over Year Growth in PIAs
	Dec-21	Dec-21	Sep-21	Sep-21	Dec-20	Dec-20		
Deposits	6,042.92	2.26%	5,871.31	2.27%	5,574.99	2.29%	2.92%	8.39%
Commercial Paper	1,924.61	0.72%	2,017.74	0.78%	2,083.37	0.86%	-4.62%	-7.62%
Securities of Governments	54,542.47	20.43%	50,901.43	19.68%	51,723.36	21.24%	7.15%	5.45%
Repurchase Agreements	8,846.93	3.31%	9,481.39	3.67%	12,784.92	5.25%	-6.69%	-30.80%
Bonds and Debentures	26,186.97	9.81%	25,015.47	9.67%	18,890.20	7.76%	4.68%	38.63%
Mortgage	1.12	0.02%	0.07	0.00%	0.07	0.00%	1,570.00%	1,570.00%
Other Loans	50.00	0.00%	0.00	0.00%	0.00	0.00%	-	-
Promissory Notes	3,423.86	1.28%	3,336.73	1.29%	3,496.31	1.44%	2.61%	-2.07%
Leases	1,144.04	0.43%	1,093.80	0.42%	769.34	0.32%	4.59%	48.70%
Stocks and Shares	93,194.60	34.91%	89,900.49	34.76%	84,724.92	34.79%	3.66%	10.00%
Real Estate	20,038.59	7.51%	20,040.90	7.75%	15,530.57	6.38%	-0.01%	29.03%
Investment Arrangements	0.00	0.00%	0.00	0.00%	0.00	0.00%	-	-
Other Investments	51,591.75	19.32%	50,977.98	19.71%	47,941.00	19.69%	1.20%	7.62%
Total Pooled Investments <sup>5</sup>	266,987.86	100.00%	258,637.32	100.00%	243,519.04	100.00%	3.23%	9.64%
Other Net Assets	1,136.78		1,236.01		1,320.43		-8.03%	-13.91%
Other Investment Arrangements	5,412.11		5,307.68		4,898.00		1.97%	10.50%
Total Pooled Assets	273,536.75		265,181.01		249,737.47		3.15%	9.53%

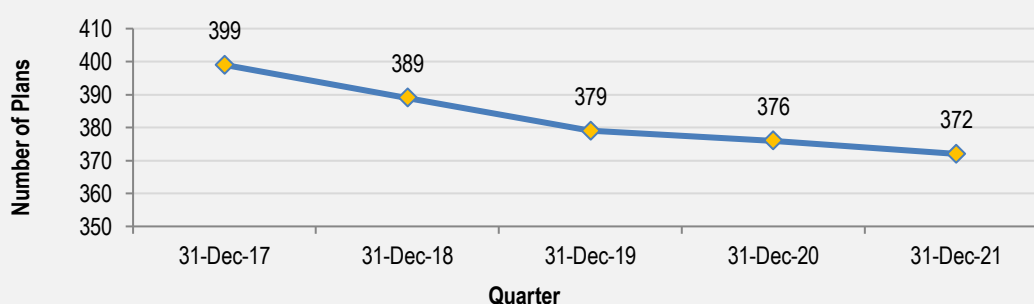
<sup>5</sup> Total Pooled Investments describes Type I Pooled Funds and some Deposit Administration Funds.

# OPERATING STATISTICS

## Active Pension Plans

There were 372 active plans in the Jamaican private pensions industry as at December 31, 2021, due to the termination of four (4) pension plans during the calendar year. This reduction is on trend with previous periods, as the number of active plans has trended downwards over the past five (5) years; financial difficulties continue to be the main reason for plan termination. Assets held by active plans increased by 7.91% to account for \$704.26 billion or 98.82% of total private pension assets. This occurred notwithstanding the terminations during the year, as those terminating plans accounted for less than 0.10% of total assets. Also, membership increased by 4.72% during the period and active plans continued to account for approximately 98% of membership. (See: Figure 3.0 and Table 3)

Figure 3.0: Growth Trend - Number of Active Pension Plans



## Active Plans by Type

### Defined Benefit vs. Defined Contribution

While four (4) Defined Contribution (“DC”) plans terminated during 2021, the growth in assets and membership for DC plans superseded that of Defined Benefit (“DB”) plans. Specifically, assets in DB and DC plans increased by 5.68% and 11.37% to \$419.02 billion and \$285.24 billion, respectively. Further, membership in DB plans decreased by 0.66% to 19,547 while membership in DC plans increased by 5.65% to 119,875. Consequently, DB plans accounted for 59.50% of assets by the end of the year, a reduction from the 60.75% reported as at December 31, 2020. DC plans continued to account for the majority of plans (77%) and membership (86%). (See: Table 3)

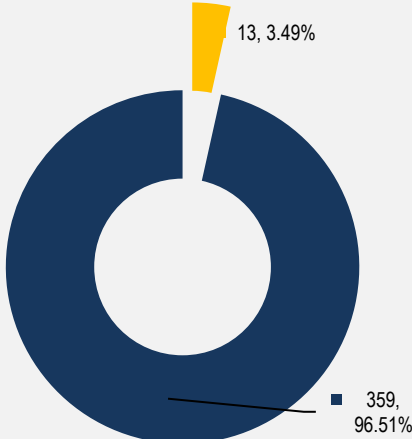
Table 3: Active Pension Plans by Benefit Type

	Dec 2021	Sep 2021	Dec 2020
<b>Number of Plans</b>			
Defined Benefit	87	87	87
Defined Contribution	285	286	289
<b>Total Active Plans</b>	<b>372</b>	<b>373</b>	<b>376</b>
<b>Membership</b>			
Defined Benefit	19,547	19,872	19,677
Defined Contribution	119,875	119,547	113,463
<b>Total Membership</b>	<b>139,422</b>	<b>139,419</b>	<b>133,140</b>
<b>Asset Values</b>			
Defined Benefit (\$' Millions)	419,019	411,352	396,501
Defined Contribution (\$' Millions)	285,237	276,609	256,111
<b>Total Asset Values (\$' Millions)</b>	<b>704,256</b>	<b>687,962</b>	<b>652,612</b>

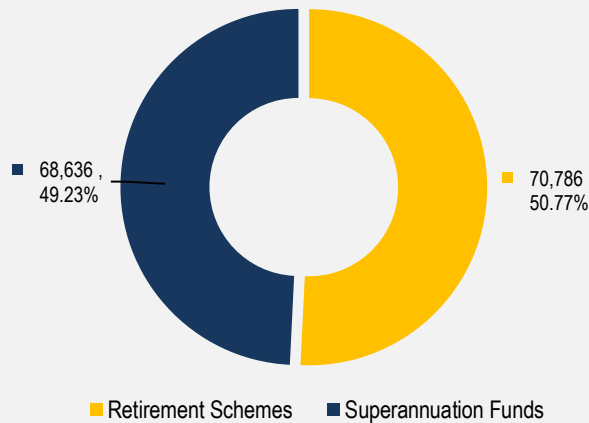
### Superannuation Funds vs. Retirement Schemes

As at December 31, 2021, the number of retirement schemes (“RS”) remained the same (13) and the number of superannuation funds (“SF”) decreased by 1.10% to 359. Following the trend from the previous year, membership in RS increased at a faster rate than SF (6.56% and 2.88% respectively), resulting in active membership in RS superseding membership in SF for the first time. However, SF continued to account for approximately 92% of private pension assets, following a 7.43% increase year-over-year to \$644.85 billion. Similar, assets in RS increased by 13.45% to \$59.41 billion. Over the past five (5) years, RS and SF have seen average annual growth in assets of 9.17% and 6.37% respectively. (See: Figures 3.1 to 3.5)

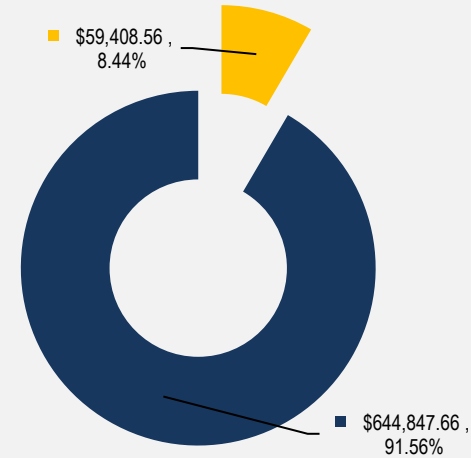
**Figure 3.1: Number of Superannuation Funds vs Retirement Schemes**



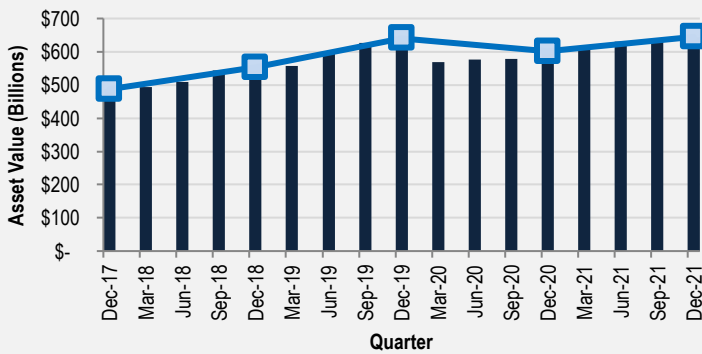
**Figure 3.2: Number of Members in Superannuation Funds and Retirement Schemes**



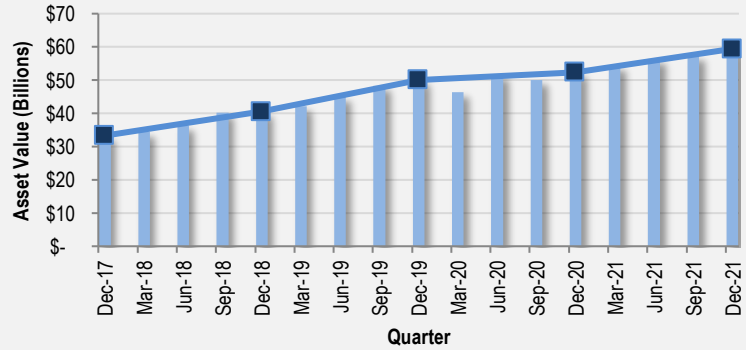
**Figure 3.3: Assets in Superannuation Funds vs Retirement Schemes (\$'Millions)**



**Figure 3.4: Five Year Growth in Asset Values for Superannuation Funds**



**Figure 3.5: Five Year Growth in Asset Values for Retirement Schemes**



### Active Superannuation Funds by Industry

All industry segments saw increases in private pension assets by the end of the year, which is consistent with the overall annual growth reported by the Planning Institute of Jamaica (“PIOJ”). Particularly, the average annual growth achieved across the industries’ private pension assets was 8.03%. The Commerce and Finance sector continued to account for the largest portion of private pension assets (36.72%) and grew by 5.78% to end the year with total assets valued at \$236.81 billion. The sector also remained the second largest for participants (12,157 members, or 17.71%) and number of funds (52 SF, or 14.48%). The Services industry, which retained the largest portion of funds (133 SF or 37.05%) and participants (24,378 members, or 35.51%), saw a 8.47% increase in assets from the \$103.56 billion reported as at December 31, 2020, to \$112.33 billion at the end of 2021.

Pension plans in the Construction industry experienced the largest percentage growth in assets (9.62%) over the period, and the Mining/Bauxite industry saw the largest increase in membership (61.65%). Further, the termination of pension plans resulted in membership declines in the media/communication, sales and distribution, services, and tourism industries. (See: Figures 3.6 to 3.8)

Figure 3.6: Percentage of Active Funds by Industry

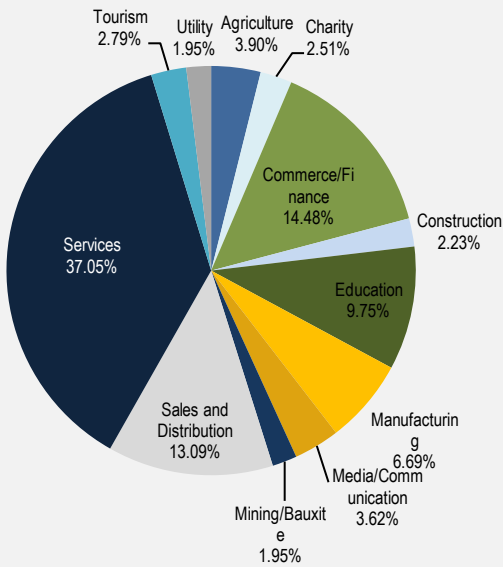


Figure 3.7: Active Membership in Funds by Industry

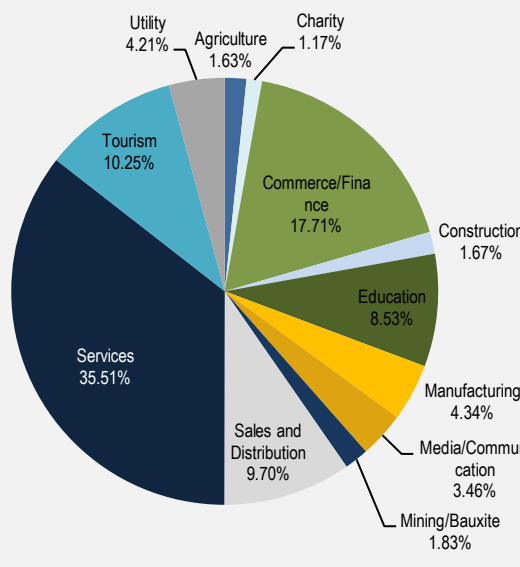
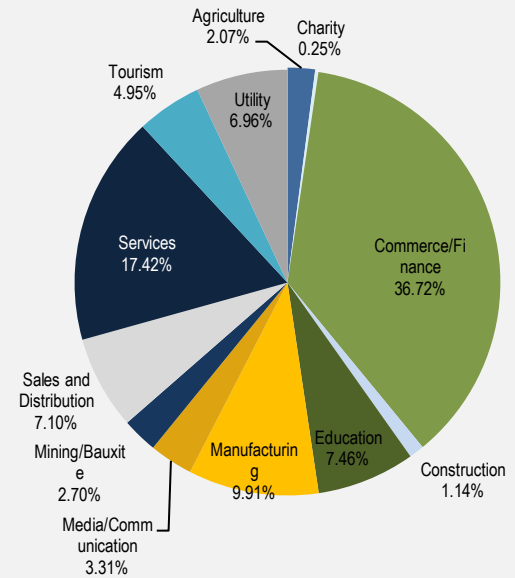


Figure 3.8: Asset Values for Funds by Industry



## Solvency of Active Pension Plans

Of the 356 active plans for which the FSC received solvency data as at December 31, 2021, 343 plans or 96% were solvent, a similar percentage to the previous year, indicating that most pension plans remained solvent despite the current economic climate. Generally, 83 DB plans or 97% were solvent, a decrease from the 84 DB plans or 98% reported as at December 31, 2020. Conversely, 96% of DC plans were solvent similar to the previous period, notwithstanding a reduction in the number of solvent DC plans resulting from plan termination. There were no changes to the number of insolvent plans, however updated solvency positions and the termination of pension plans resulted in increases to the number of plans with solvency levels between 100% and 120% and greater than 150%, and a decrease in the number of plans with solvency levels between 120% and 150%. (See Table 4)

Trustees of DC plans must continue to regularly review the asset allocation and investment strategies of pension plan portfolios to avoid insolvency, as any deficit is borne by the plan members. Proper oversight for DC plans also includes monitoring the remittance of contributions, to increase and maintain the assets available for members' benefits. For DB plans, proper oversight involves monitoring the plans' liabilities and ensuring that the sponsors quickly address any shortfall in funds available to meet actuarial liabilities.

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%	
2021	DB	3	0	1	0	2	100.00%
	DC	17	0	15	1	1	100.00%
	<b>Total</b>	<b>20</b>	<b>0</b>	<b>16</b>	<b>1</b>	<b>3</b>	<b>100.00%</b>
2020	DB	17	1	5	6	5	94.12%
	DC	70	4	46	17	3	94.29%
	<b>Total</b>	<b>87</b>	<b>5</b>	<b>51</b>	<b>23</b>	<b>8</b>	<b>94.25%</b>
2019	DB	28	0	6	9	13	100.00%
	DC	79	2	57	11	9	97.47%
	<b>Total</b>	<b>107</b>	<b>2</b>	<b>63</b>	<b>20</b>	<b>22</b>	<b>98.13%</b>



2018	DB	24	1	4	8	11	95.83%
	DC	72	3	47	17	5	95.83%
	<b>Total</b>	<b>96</b>	<b>4</b>	<b>51</b>	<b>25</b>	<b>16</b>	<b>95.83%</b>
2017 and earlier	DB	14	1	4	1	8	92.86%
	DC	32	1	22	8	1	96.88%
	<b>Total</b>	<b>46</b>	<b>2</b>	<b>26</b>	<b>9</b>	<b>9</b>	<b>95.65%</b>
<b>OVERALL</b>		<b>356</b>	<b>13</b>	<b>207</b>	<b>78</b>	<b>58</b>	<b>96.35%</b>

## Inactive and Terminating Pension Plans

There have been 17 inactive plans in the industry since 2017. Assets for those inactive plans grew by 8.65% to \$289.10 million as at December 31, 2021. On average, inactive plans have seen annual growth of 3.00% in assets over the past five (5) years, due to fluctuations in the value of the assets reported. During the calendar year, membership in inactive plans declined by 7.86% from 1,871 to 1,724, a change which was solely attributed to inactive DB plans.

As at December 31, 2021, the number of terminating plans had grown to 426. Notwithstanding an increase in the number of plans, 8.23% and 34.89% reductions were reported for asset values and membership respectively. This was due to some pension plans reporting substantial reductions in assets (over 40%), which reflects the payment of benefits during the period. Consequently, the number of terminating plans accounted for 52% of pension plans in the private pensions industry, but \$8.11 billion or 1.14% of total assets. The asset values of terminating plans experienced an average annual decline of 5.77% over the past five (5) years. (See: Figures 3.11 and 3.12, Tables 5 and 6)

Figure 3.11: Growth Trend of Assets in Inactive Plans

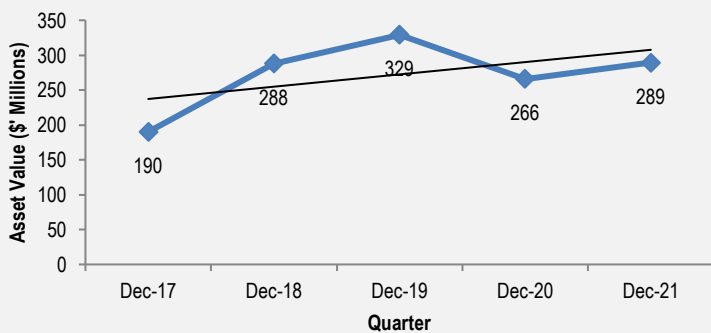


Figure 3.12: Growth Trend of Assets in Terminating Plans

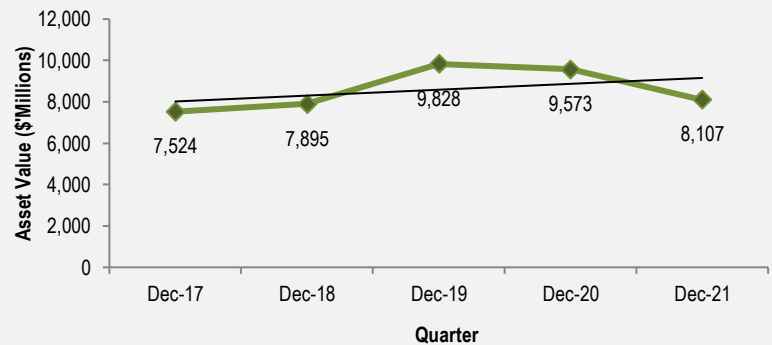


Table 5: Inactive Pension Plans by Benefit Type

	Dec-21	Sep-21	Dec-20
<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	1,668	1815
Defined Contribution	56	56	56
<b>Total Membership</b>	<b>1,724</b>	<b>1,724</b>	<b>1,871</b>
<b>Asset Values</b>			
Defined Benefit (\$' Mil)	223	226	202
Defined Contribution (\$' Mil)	66	65	63
<b>Total Asset Values (\$' Mil)</b>	<b>289</b>	<b>291</b>	<b>266</b>

Table 6: Terminating Pension Plans by Benefit Type

	Dec-21	Sep-21	Dec-20
<b>Number of Plans</b>			
Defined Benefit	102	102	102
Defined Contribution	324	323	320
<b>Total Terminating Plans</b>	<b>426</b>	<b>425</b>	<b>422</b>
<b>Membership</b>			
Defined Benefit	98	98	363
Defined Contribution	529	365	600
<b>Total Membership</b>	<b>627</b>	<b>463</b>	<b>963</b>
<b>Asset Values</b>			
Defined Benefit (\$' Mil)	4,471	4,552	5,104
Defined Contribution (\$' Mil)	3,636	3,086	3,730
<b>Total Asset Values (\$' Mil)</b>	<b>8,107</b>	<b>7,638</b>	<b>8,834</b>

## Investment Managers

During 2021, a Securities Dealer (“SD”) surrendered its license, and a credit union was licensed as an investment manager (“IM”) and administrator. Consequently, there were 25 IMs by the end of the calendar year. An existing credit union also transferred the sole pension plan managed to a SD, which resulted in the two (2) licensed credit unions having no funds under management (“FUM”) as at December 31, 2021. The remaining FUM in the industry were split among two (2) Life Insurance Companies (“LIC”), 15 SDs and six (6) other IMs. With an overall annual growth of 7.87%, SDs continued to manage the largest portion of assets valued at \$391.55 billion. FUM by LICs, which accounted for the second largest portion of assets managed, grew by 8.16% to \$265.81 billion; this was the largest annual percentage growth experienced by a category of IMs. The remaining assets managed by the other IMs amounted to \$55.99 billion, up from the \$53.15 billion reported as at December 31, 2020. (See Figure 3.13 and Table 7)

Figure 3.13: Investment Managers' Share of Market Assets

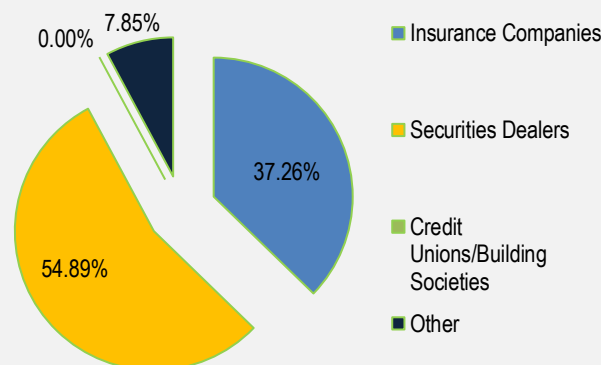


Table 7: Total Funds under Management of Investment Managers

Investment Managers	Number of Entities Dec 2021	Asset Values Dec 2021 (\$'Millions)	Number of Entities Sep 2021	Asset Values Sep 2021 (\$'Millions)	Number of Entities Dec 2020	Asset Values Dec 2020 (\$'Millions)	Year over Year Growth in Assets
Insurance Companies	2	265,806	2	259,297	2	245,762	8.16%
Securities Dealers	15	391,551	15	381,810	16	362,969	7.87%
Credit Unions	2	-	2	-	1	567	-100.00%
Other	6	55,993	6	55,457	6	53,154	5.34%
<b>Total</b>	<b>25</b>	<b>713,349</b>	<b>25</b>	<b>696,564</b>	<b>25</b>	<b>662,451</b>	<b>7.68%</b>

## THE WAR WITH PENSIONS

On February 24, 2022, Russia began its invasion of Ukraine. While tensions between Russia and Ukraine have been rising for years, the current military action has been impacting financial markets and the global economy. So far, the conflict has resulted in increased volatility in several stock markets, turbulence in currency markets and increases in commodity prices. The Jamaican economy has not been spared from the effects of the war, as there have been consistent increases in shipping costs and oil prices with concomitant increases in gas and energy prices, and prospects of prolonged inflation which may reduce the real returns earned by pension plans in the upcoming quarters. While no notable movements within the Jamaican private pensions industry portfolios have been reported, some international investors have begun to reallocate funds to less volatile instruments such as government securities and have begun to sell Russian assets as well. For example, the Universities Superannuation Scheme, the United Kingdom’s (“UK”) largest private scheme, is to sell £450 million – 0.5% of its £90 billion portfolio and NEST, A UK state-backed pension fund, said it will divest from any Russian assets within its holdings, amounting to around £46 million<sup>6</sup>.

Notwithstanding these movements, there has been a global cry for investors to remain calm. This cry is also applicable to trustees and investment managers of plans within the Jamaican private pensions industry. While it is tempting to panic-sell investments because of reductions in asset values, trustees and agents must remain cognizant of their plans’ risk appetites, maturity of members, and benefit types. It is imperative that proper risk management strategies be implemented to protect members’ benefits, while aiming to achieve

<sup>6</sup> “Ukraine War: How Russia’s invasion could impact your pensions and what you can do to protect your savings”, by Connor Coombe-Whitlock. March 4, 2022. <https://inews.co.uk/inews-lifestyle/money/russia-ukraine-war-how-invasion-impacts-pensions-protect-savings-1498352>

maximum returns, especially for DC plans where benefits are partially derived from investment gains. This includes regular review of the plan's investments and global markets to ensure that long-term investment goals are being achieved.

## RISK OUTLOOK



The 2021 calendar year ended with overall real GDP growth of 6.0% during the December 2021 quarter, contrasting the 9.4% decline reported by the PIOJ for the December 2020 quarter. Evidently, the Jamaican economy exhibited resilience against the effects of the pandemic during the period. There also exist possibilities for continued growth, as the GOJ withdrew all DRMA protocols in March 2022. Therefore, industries which suffered due to those limitations, such as the services industry, will have additional opportunities to recover. This could prove beneficial for the private pensions industry, as many pension plans correspond to service-related businesses. However, growth could be stunted by the effects of the ongoing Russo-Ukrainian war, and the likelihood of reinstated DRMA protocols should China's current COVID spike spread to the rest of the world.



The Statistical Institute of Jamaica reported a decrease in the unemployment rate from 10.7% as at October 2020 to 7.1% as at October 2021, which is the lowest rate since October 2019. This reduction is not surprising as some Jamaican businesses have slowly recuperated over the period. However, it is expected that increasing private pension coverage will continue to be a challenge over the medium term, as plan membership has not been proportionately increasing with the employed labour force. Notwithstanding, increased efforts to educate the public as well as promote enrolment to approved retirement schemes could serve as a steppingstone.



Annual inflation was 7.3% as at December 2021, an increase from the 5.2% reported as at December 2020. With the 9.7% inflation rate as at January 2022 being above the BOJ's target, the BOJ implemented an increase in the policy interest rate of 4.00% effective February 21, 2022, to limit the repercussions of commodity price shocks and guide inflation back within the target range. However, in the short to medium term, real yields achieved by pension plans and the ensuing rate credited to members' contributions could decrease.



Contrary to the upsurge in equity values for pension plans during the December 2021 quarter, the JSE Main Index declined from 414,889.96 points as at September 30, 2021 to 396,155.61 points by the end of the year. Trustees and agents are reminded to continue to conduct fundamental analysis of the companies for which stocks and shares are held to strengthen the monitoring activities of trustees and assist in making informed decisions regarding the investments held, as well as to take advantage of alternative investment opportunities permitted by the Investment Regulations.

### SUMMARY

The Jamaican private pensions industry continues to experience a reduction in the total number of active plans, and challenges with increasing private pensions coverage still exist. Notwithstanding, active membership rates continue to rise steadily, and private pension assets appear to be recovering from the effects of the pandemic. This was evidenced by 4.28% year-over-year increase in membership, and the 7.68% annual growth in assets to \$713.35 billion as at December 31, 2021.

While most pension plans have remained healthy during the pandemic, the FSC continues to implore pension trustees and agents to remain vigilant and provide proper oversight of plan assets and operations, given the recent societal and economic developments. 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 fulfil its mandate of promoting integrity within the industry, and by extension Jamaica's financial sector.