

PRIVATE PENSIONS INDUSTRY STATISTICS

MARCH
2022

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OVERVIEW

During the first quarter of 2022, the Jamaican private pensions industry saw a 0.15% decrease in the value of assets held, which is the first reduction since September 2020. This is concurrent with a substantial increase in the 379 pension plans which reported a reduction in assets from the previous quarter (Dec 2021: 87 plans). Given the high inflationary and high interest environment pension plans are operating in, the reduction in assets could potentially be a threat to the viability of pension plans. Notwithstanding, most plans have reported strong solvency positions.

As at March 31, 2022, the total value of assets in the industry amounted to **\$712.26 billion**.

OVERVIEW (cont'd)

Key changes over the March 2022 quarter:

- ↑ **MEMBERSHIP¹ • 0.71%**
MAR 2022: **142,778**, DEC 2021: **141,773**
- **NUMBER OF PLANS²**
MAR 2022: **815**, DEC 2022: **815**
- ↓ **PENSION COVERAGE • -0.88%**
MAR 2022: **11.19%**, DEC 2021: **11.29%**
- ↓ **NUMBER OF PLANS WITH ASSET GROWTH • -43.93%**
MAR 2022: **358**, DEC 2021: **650**
- ↓ **PRIVATE PENSION ASSETS • -0.15%**
MAR 2022: **\$712.26B**, DEC 2021: **\$713.35B**

The industry experienced an average growth of 2.39% per quarter over the past five years.

The employed labour force³ increased by 1.81% during the quarter. However, total membership for private pension plans increased marginally by 0.71%, resulting in a 0.88% decrease in private pension coverage for active plans to 11.19% as at March 31, 2022, while total private pension coverage decreased to 11.36%.

Figure 1.0: Growth Trend of Total Industry Assets

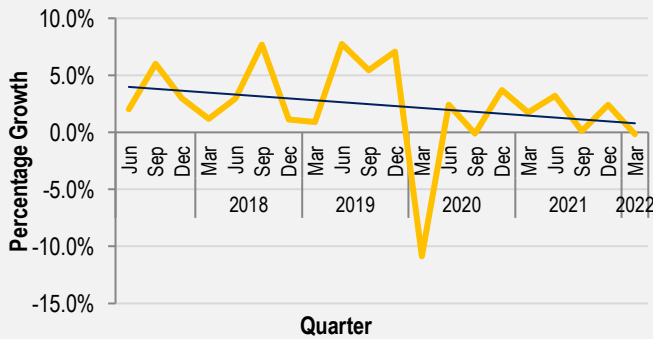


Figure 1.1: Pension Coverage in the Jamaican Private Pensions Industry

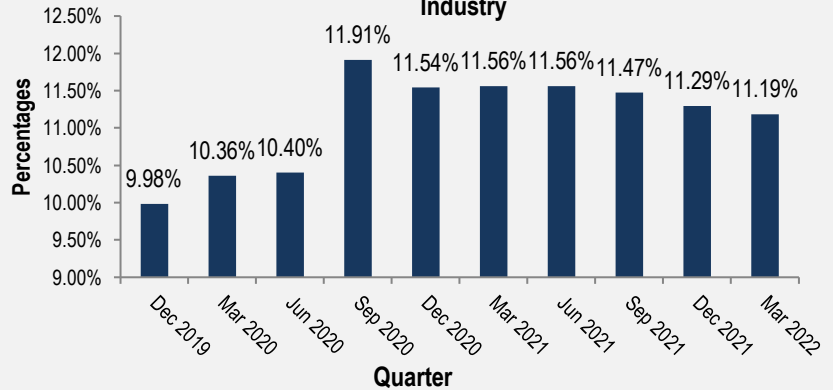
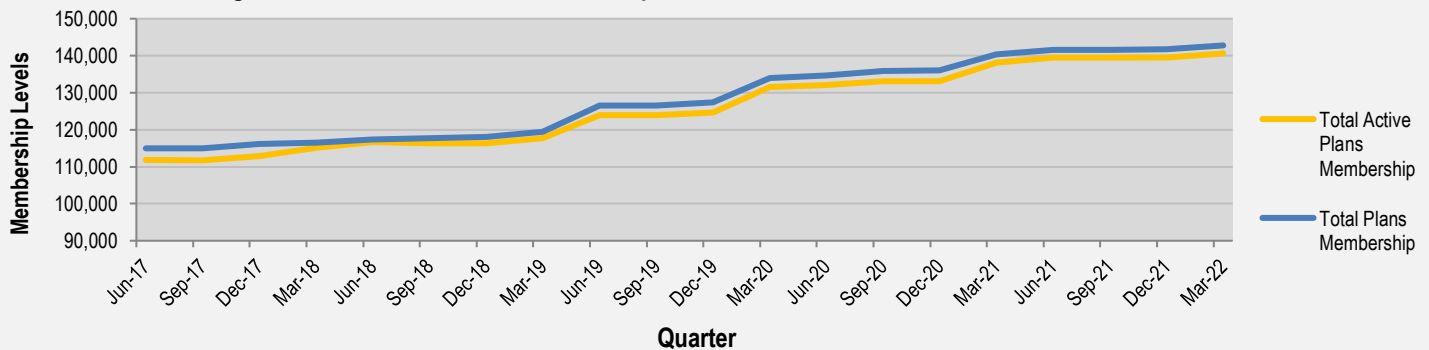


Figure 1.2: Growth Trends in Membership Levels of Active Pension Plans vs All Pension Plans



¹ This represents membership in all plans.

² This number includes pension plans which are active, terminating, and inactive.

³The Jamaican employed labour force as at January 31, 2022 was 1,257,100 according to the Statistical Institute of Jamaica (<https://statinga.gov.jm/>).

INVESTMENT MIX

Private Pension Assets

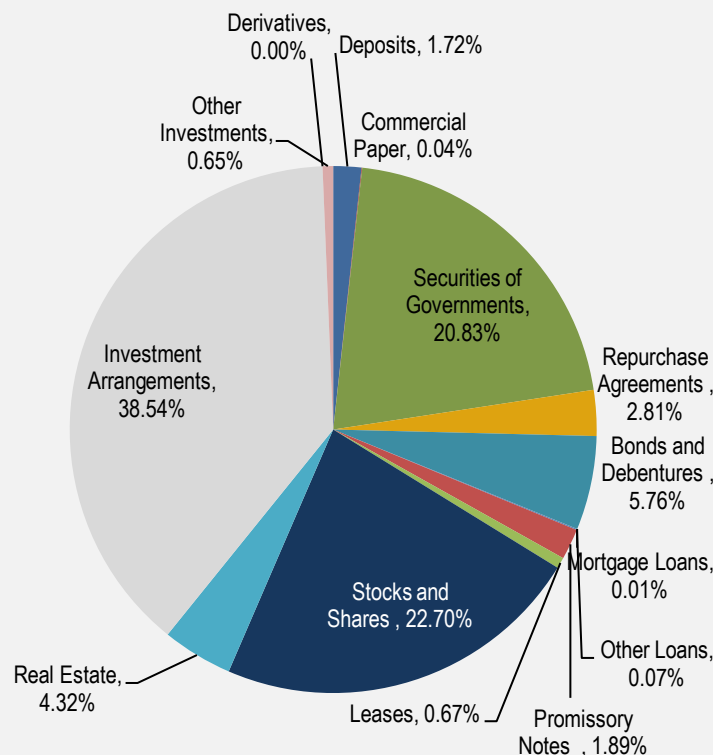
The reduction in the aggregate portfolio, despite continued remittance of contributions by sponsors and active members, is reflective of a fall in asset values during Q1 2022. Conversely, the year-over-year growth of 5.68% was primarily due to an increase in the value of assets invested in pooled investment arrangements and stocks and shares, the top two (2) asset classes.

As at March 31, 2022, the portfolio primarily consisted of investments in pooled arrangements (\$274.16 billion, or 38.54%), stocks and shares (\$161.49 billion, 22.70%) and Government of Jamaica (“GOJ”) securities (\$148.16 billion, or 20.83%). Continuing an upward trend, investments in stocks and shares saw the largest increase in value (1.47%) of the top three (3) over the quarter.

While there were marginal movements in most asset classes during the quarter, the value of assets invested in other loans declined by 91.36% while investments in promissory notes increased by 88.00%. This represented the largest increase and reduction in asset values for the quarter, and both changes resulted from a reclassification by one investment manager. Notwithstanding, the movement in both asset classes represented a trade-off and did not have any major impact on the total private pension assets.

As at the end of the quarter, deposits increased by 16.03%. Deposits have been increasing over the periods, which could be due to investment manager’s inability to quickly reinvest in higher yielding investments. Conversely, repurchase agreements saw a reduction of 16.48%, which was primarily due to one investment manager redirecting funds to other asset classes that yielded higher interest rates. Marginal reductions in investments in repurchase agreements were also noted amongst other investment managers. This is reflective of the relatively low yields that were being generated from repurchase agreements during the quarter in the context of rising inflation levels.

Figure 2.0: Allocation of Total Private Pension Assets as at March 31, 2022



Key changes over the quarter:

- ↑
TOTAL INVESTMENTS IN PROMISSORY NOTES • 88.00%
MAR 2022: \$13.42B, DEC 2021: \$7.14B
- ↓
TOTAL INVESTMENTS IN OTHER LOANS • -91.36%
MAR 2022: \$468.36M, DEC 2021: \$5.42B
- ↓
TOTAL INVESTMENTS IN REPURCHASE AGREEMENTS • -16.48%
MAR 2022: \$19.96B, DEC 2021: \$23.91B
- ↑
TOTAL DEPOSITS • 16.03%
MAR 2022: \$12.22B, DEC 2021: \$10.53B

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
	31-Mar-22		31-Dec-21			
Deposits	12,220.62	1.72%	10,531.97	1.47%	16.03%	35.88%
Commercial Paper	310.88	0.04%	388.63	0.05%	-20.01%	-25.54%
Securities of Governments	148,162.73	20.83%	151,562.81	21.21%	-2.24%	1.31%
Repurchase Agreements	19,969.80	2.81%	23,911.06	3.35%	-16.48%	-19.08%
Bonds and Debentures	40,980.26	5.76%	43,425.75	6.08%	-5.63%	12.21%
Mortgage Loans	42.61	0.01%	41.06	0.01%	3.76 %	65.33%
Other Loans	468.36	0.07%	5,422.92	0.76%	-91.36%	-88.35%
Promissory Notes	13,423.80	1.89%	7,140.41	1.00%	88.00%	19.93%
Leases	4,765.89	0.67%	4,549.04	0.64%	4.77%	13.03%
Stocks and Shares	161,489.44	22.70%	159,146.10	22.27%	1.47%	5.96%
Real Estate	30,753.26	4.32%	31,116.61	4.35%	-1.17%	3.18%
Investment Arrangements	274,162.16	38.54%	273,536.75	38.28%	0.23%	9.01%
Derivatives	0.00	0.00%	0.00	0.00%	0.00%	0.00%
Other Investments	4,596.15	0.65%	3,872.18	0.54%	18.70%	24.25%
Total Investments	711,345.95	100.00%	714,645.29	100.00%	-0.46%	5.58%
Other Net Assets	910.60		-1,293.99		-170.37%	280.40%
Total Assets	712,256.55		713,351.30		-0.15%	5.68%

The December 2021 quarter was restated.

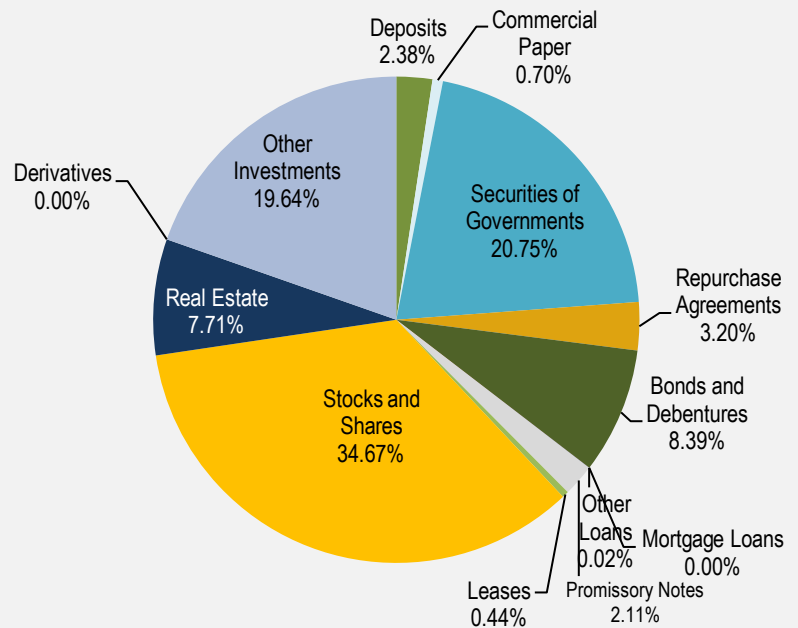
Pooled Investment Arrangements (“PIAs”)

As at March 31, 2022, PIAs⁴ continued its upward trend with marginal growth of 0.23%. There were no major changes to the portfolio composition of the asset classes during the quarter; as a result, indirect investments in stocks and shares (34.67%), GOJ securities (20.75%) and other investments (19.64%) remained the three largest asset classes.

Indirect investments in promissory notes experienced a substantial increase of 65.17% over the quarter, primarily due to the allocation of funds to promissory notes for the first time by one investment manager. Notably, with promissory notes not being a major indirect investment, the effect on the total PIA portfolio value was minimal.

Indirect investments in bonds and debentures saw the largest contraction during the quarter (14.11%), primarily due to the maturity of those assets managed by one investment manager. The remaining asset classes saw marginal changes in asset values. (See: Table 2)

Figure 2.1: Allocation of Pension Assets in Pooled Investment Arrangements as at March 31, 2022



Key changes over the quarter:

 TOTAL INVESTMENTS IN PIA • 0.23%
MAR 2022: \$274.16B, DEC 2021: \$273.54B

 INDIRECT INVESTMENTS IN PROMISSORY NOTES • 65.17%
MAR 2022: \$5.6B, DEC 2021 \$3.4B

 INDIRECT INVESTMENTS IN BONDS & DEBENTURES • -14.11%
MAR 2022: \$22.49B, DEC 2021: \$26.19B

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-22		Dec-21			
Deposits	6,387.53	2.38%	6042.92	2.26%	5.70%	12.27%
Commercial Paper	1,869.68	0.70%	1,924.61	0.72%	-2.85%	-9.53%
Securities of Governments	55,623.84	20.75%	54,542.47	20.43%	1.98%	7.92%
Repurchase Agreements	8,570.13	3.20%	8,846.94	3.31%	-3.13%	-23.93%
Bonds and Debentures	22,491.39	8.39%	26,186.97	9.81%	-14.11%	11.27%
Mortgage	1.10	0.00%	1.12	0.00%	-1.61%	1543.28%
Other Loans	51.01	0.02%	50.00	0.02%	2.02%	0%
Promissory Notes	5,655.20	2.11%	3,423.86	1.28%	65.17%	55.70%
Leases	1,170.12	0.44%	1,144.04	0.43%	2.28%	25.09%
Stocks and Shares	92,946.04	34.67%	93,194.60	34.91%	-0.27%	8.60%
Real Estate	20,672.03	7.71%	20,038.59	7.51%	3.16%	33.02%
Investment Arrangements	0.00	0.00%	0.00	0.00%	0.00%	0%
Other Investments	52,646.89	19.64%	51,591.75	19.32%	2.05%	7.00%
Total Pooled Investments ⁴	268,084.95	100.00%	266,987.86	100.00%	0.41%	9.12%
Other Net Assets	568.53		1,136.78		-49.99%	-33.79%
Other Investment Arrangements	5,508.67		5,412.11		1.78%	10.73%
Total Assets	274,162.16		273,536.75		0.23%	9.01%

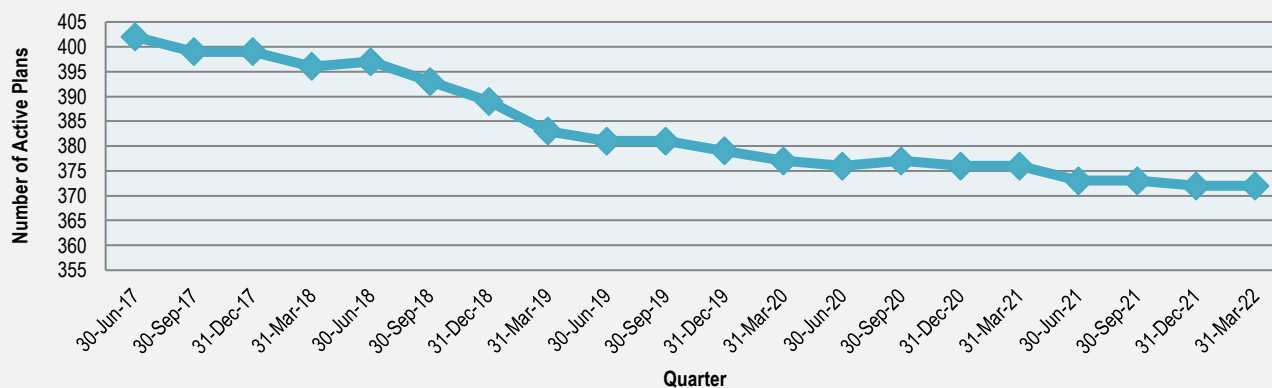
OPERATING STATISTICS

Active Pension Plans

The aggregate asset value for active private pension plans decreased marginally by 0.09% from \$704.26 billion as at December 31, 2021, to \$703.59 billion by the end of March 2022. Over the quarter, total membership increased by 0.86% to 140,615 members. Given that there were no new plans formed for the quarter, these new members were spread across the existing 372 active plans.

⁴ 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 (DB) vs. Defined Contribution (DC)

DC pension plans continued to account for most of the active membership (86%) and number of active pension plans (76%), but only 41% of active pension plan assets by the end of Q1 2022. Moreover, DB pension plan asset values amounted to \$415.76 billion, compared to the DC plans with \$287.83 billion. This is primarily due to most DB plans being the older and larger pension plans compared with the more recent emergence of DC plans, and as a result, have accumulated more assets over time. Both DC and DB plans saw marginal increases in membership during the quarter.

Table 3: Active Pension Plans by Benefit Type

	Mar 2022	Dec 2021	Sep 2021
Number of Plans			
Defined Benefit	87	87	87
Defined Contribution	285	285	286
Total Active Plans	372	372	373
Membership			
Defined Benefit	19,679	19,547	19,872
Defined Contribution	120,936	119,875	119,547
Total Membership	140,615	139,422	139,419
Asset Values			
Defined Benefit (\$' Millions)	415,765	418,435	411,352
Defined Contribution (\$' Millions)	287,825	285,822	276,609
Total Asset Values (\$' Millions)	703,590	704,258	687,962

Superannuation Funds (“SF”) vs. Retirement Schemes (“RS”)

The total number of RS within the Jamaican private pensions industry remained at thirteen (13), and the number of active SF at 359. Membership in SF increased at a slower rate (0.27%) than RS (1.43%), resulting in RS continuing to account for more members within the industry. Following a marginal decrease of 0.27%, total assets in SF valued \$643.11 billion while RS assets increased by 1.81% to \$60.48 billion during the quarter. (See Figures 3.1 to 3.5)

Figure 3.1: Number of Superannuation Funds vs Retirement Schemes

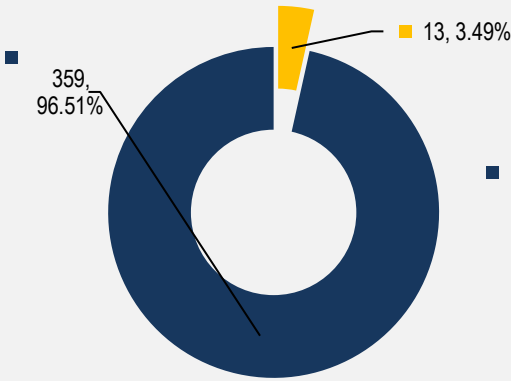


Figure 3.2: Number of Members in Superannuation Funds and Retirement Schemes

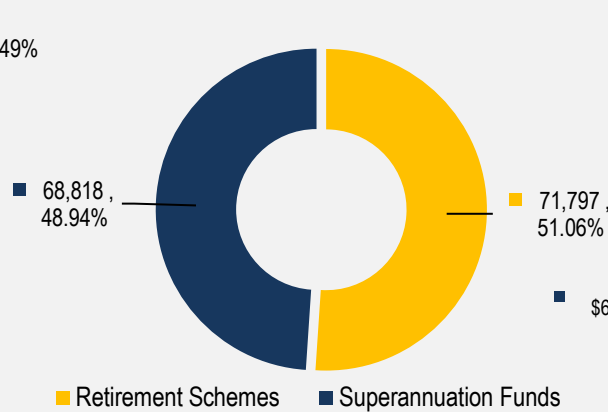


Figure 3.3: Assets in Superannuation Funds vs Retirement Schemes (\$'Millions)

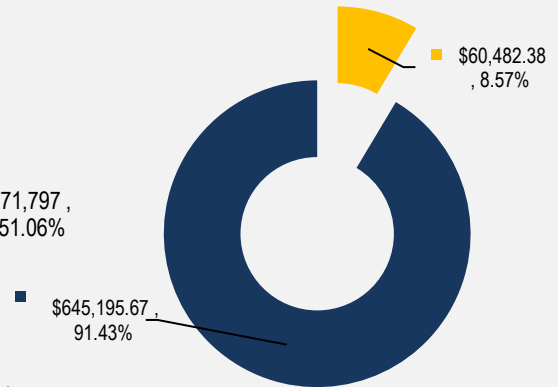


Figure 3.4: Asset Values for Superannuation Funds

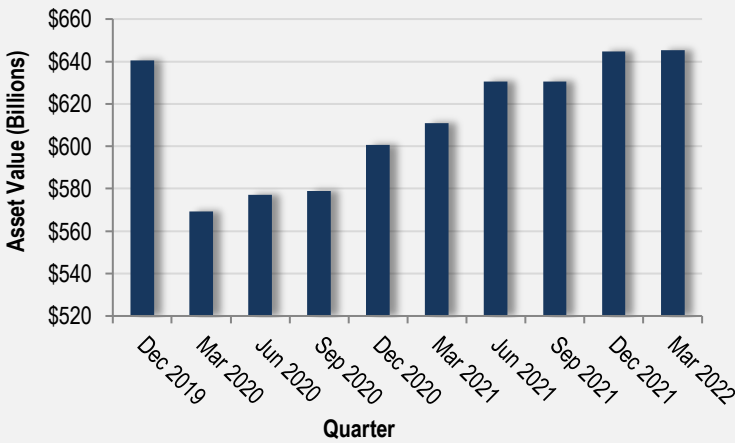
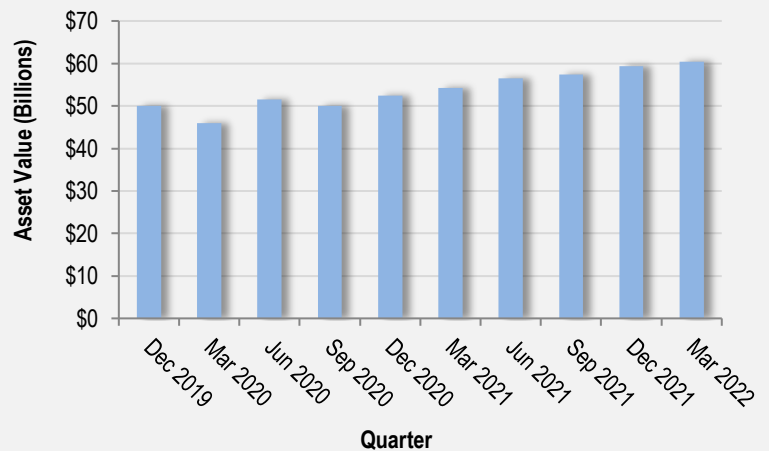


Figure 3.5: Asset Values for Retirement Schemes



Active Superannuation Funds by Industry

The Commerce and Finance sector accounted for the largest portion of private pension assets (37.84%), followed by the Services sector (17.54%), which had assets totaling \$243.38 billion and \$112.81 billion, respectively. Despite having the largest portion of private pension assets, the Commerce and Finance sector saw a reduction of 1.43% which represented the largest reduction in pension asset value during the quarter. This reduction contrasts the Planning Institute of Jamaica’s (“PIOJ”) report which indicated that the Commerce and Finance sector grew by 1.5%. The largest growth in assets was seen for pension plans in the Tourism sector (3.25%), which was partially due to an increase in assets for the Tourism Workers Pension Scheme which started admitting members during the quarter. This is in tandem with the positive performance reported by the PIOJ; with an increase of 105.7% during the quarter and can be attributed to the increased arrival of tourists in the island and progression towards pre-pandemic levels. All other industries saw marginal growth in pension assets during the quarter, resulting in an overall average increase of 0.24%.

The Services sector retained the largest portion of participants (35.42%) and SF (37.05%), while the Commerce and Finance sector retained the second largest for participants and number of SF. The Education sector saw the largest growth in membership (4.99%) during the quarter (See: Figures 3.6 to 3.8).

Inactive and Terminating Pension Plans

As at March 31, 2022, the number of inactive plans reduced to sixteen (16) with a concurrent increase in the number of terminating plans to 427, due to one (1) inactive plan initiating wind-up proceedings. Consequently, there was a decrease in membership (0.92%) and assets (9.07%) reported for inactive plans. The reduction in asset value for inactive plans to \$262.88 billion was also due to a fall in values reported for two (2) plans with no members. Similarly, the 427 terminating plans which accounted for 52.39% of plans in the private pensions industry, reported total assets amounting to \$7.73 billion. This represented a 4.61% reduction from the \$8.13 billion as at December 31, 2021. Notably, six (6) terminating plans reported substantial reductions in assets (over 30%), reflecting the payment of benefits to participants of those plans during the period. (See: Tables 5 and 6)

Table 5: Inactive Pension Plans by Benefit Type

	Mar-22	Dec-21	Sep-21
Number of Plans			
Defined Benefit	3	4	4
Defined Contribution	13	13	13
Total Inactive Plans	16	17	17
Membership			
Defined Benefit	1,665	1,668	1,668
Defined Contribution	53	56	56
Total Membership	1,708	1,724	1,724
Asset Values			
Defined Benefit (\$' Mil)	196	223	226
Defined Contribution (\$' Mil)	67	66	65
Total Asset Values (\$' Mil)	263	289	291

Table 6: Terminating Pension Plans by Benefit Type

	Mar-22	Dec-21	Sept-21
Number of Plans			
Defined Benefit	103	102	102
Defined Contribution	324	324	323
Total Terminating Plans	427	426	425
Membership			
Defined Benefit	129	98	98
Defined Contribution	326	529	365
Total Membership	455	627	463
Asset Values			
Defined Benefit (\$' Mil)	4,147	4,471	4,552
Defined Contribution (\$' Mil)	3,586	3,636	3,086
Total Asset Values (\$' Mil)	7,733	8,107	7,638

Investment Managers

As at March 31, 2022, the industry's assets were divided among fifteen (15) Securities Dealers ("SDs"), two (2) Life Insurance Companies ("LICs") and six (6) other investment managers. It should be noted that two (2) credit unions/building societies holding an investment managers' licence had no funds under management ("FUM"). The FUM of SDs, which dominated the industry, grew by 0.38% to \$393.03 billion. LICs saw a decline in assets to \$262.66 billion; notwithstanding; they still accounted for the second largest portion of pension assets. The remaining pension assets managed by the six (6) other IMs amounted to \$56.57 billion. The movement in assets managed resulted in negligible changes to the IMs' market share. (See Figure 3.9 and Table 7).

Figure 3.9: Investment Managers' Share of Market Assets

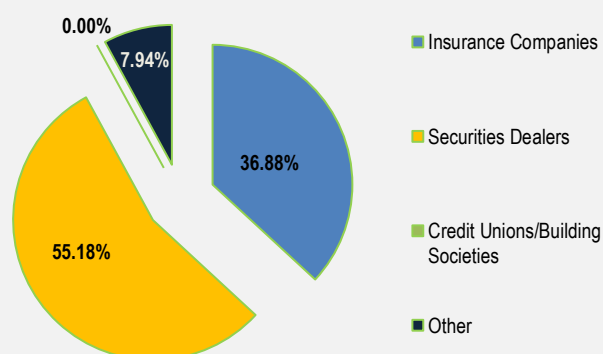


Table 7: Total Assets under Management of Investment Managers

Investment Managers	Number of Entities Mar 2022	Asset Values Mar 2022 (\$'Millions)	Number of Entities Dec 2021	Asset Values Dec 2021 (\$'Millions)	Number of Entities Sep 2021	Asset Values Sep 2021 (\$'Millions)
Insurance Companies	2	262,658	2	265,806	2	259,297
Securities Dealers	15	393,032	15	391,551	15	381,810
Credit Unions	2	-	2	-	2	-
Other	6	56,567	6	55,993	6	55,457
Total	25	712,257	25	713,349	25	696,564

THE AMERICAN WAY

In a recent article published by Bloomberg⁵, it was revealed that it will take on average US\$1.1 million for American workers to retire comfortably, however only one in four thinks it possible to save that much by retirement. The article further revealed that just 22% of people approaching retirement in America will have enough money to maintain a comfortable standard of living. The current retirement scheme in America, the 401(k) plan which replaced most superannuation funds and became the main source of retirement income, is currently defined as broken⁶. Further, over the past 35 years, most participants have not been contributing enough and are constantly requesting withdrawals.

There are lessons to learn from the current state of the US pensions system. Corporate entities that manage RS should continue to promote the product and its benefits, bring further awareness to the implications of not contributing as well as encourage participants to increase contributions where possible. Furthermore, employers are encouraged to consider offering superannuation funds to increase the number of people who have access to some form of retirement saving or encouraging participation in RS where it is not feasible to operate their own plans.

RISK OUTLOOK



According to the BOJ, real GDP is projected to trend upwards at an average rate of 3.1% over the March 2022 to December 2023 quarters but remain below potential output until the March 2023 quarter. In this context, GDP growth within the range of 7.0% to 10.0% is projected for FY2021/22, followed by 2.0% to 4.0% growth for FY2022/23. The projected growth in the economy is largely reflective of a normalization of economic activity. This could filter into the increase in the pension plan membership within the various sectors such as Commerce and Finance, and Tourism.



As the economy continues to rebound from the pandemic, there has been continued reduction in Jamaica's unemployment levels. According to PIOJ, the unemployment rate as at January 2022 was 6.2% compared to 8.9% in January 2021. This is further reflected in the increase of the total labour force by 24,800 persons as well as the reduction in the unemployed labour force by 33,000 to 83,500. This could result in an increase in the members of both SF and RS, thereby increasing private pension coverage however given the history of disproportionate increases in plan membership, this may be difficult

⁵ "A Comfortable Retirement Appears Out of Reach for Most Americans", by Suzanne Woolley. May 24, 2022. <https://www.bloomberg.com/news/articles/2022-05-24/most-americans-say-1-1-million-they-need-to-retire-comfortably-is-out-of-reach#xj4y7vzkg>

⁶ "How to Fix the Broken U.S. Retirement-Savings System", by The Editors. April 18, 2022. <https://www.bloomberg.com/opinion/articles/2022-04-18/how-to-fix-america-s-broken-retirement-savings-system>

to achieve. With new members entering the labour force, there should be additional effort to educate them on the importance of retirement saving.



The BOJ reported annual inflation as at March 2022 to be 11.31% which exceeds the bank's target of 4.0 to 6.0%. According to STATIN, this has been the largest point-to-point change since the implementation of the new CPI basket in April 2020. This outturn was as a result of the sharp increase in fuel and food prices which are both lingering effects of the conflict in Eastern Europe. While the BOJ has increased the policy rates in its attempt to arrest rising inflation, the real yields achieved by pension plans and the ensuing rate credited to members' contributions will be affected in the short to medium term.



The JSE main index declined in value from 400,320.79 points to 391,231.90 during the first quarter of 2022. Notwithstanding the volatility in the markets, the value of equities within the aggregate private pension investment mix over the quarter has increased by 1.47%. With stocks and shares being the second largest asset class of private pensions, investment managers should take great care in managing market risks and continue to conduct prudent risk analyses of the companies for which stocks and shares are held. This will help to strengthen the oversight activities of trustees and assist in making informed decisions regarding the investments held and acquired.

SUMMARY

The Jamaican private pension industry saw a marginal decline of 0.15% in pensions assets to \$712.26 billion as at March 31, 2022. It should be noted that this is the first decline since September 2020. Similarly, private pension coverage decreased by 0.88% over the period.

The industry is currently plagued by rising inflation and rising interest rates which is partially due to the effects of the conflict in Eastern Europe as well as the tail end effects of Government's response to the COVID-19 pandemic. During this time of global upheaval, the FSC encourages pension trustees and all other agents to bear in mind the risks faced by the sponsors and members and to implement a risk management framework to alleviate against such risks. Notwithstanding, the FSC continues to partner with all industry stakeholders to protect all members and beneficiaries within the Jamaican private pension industry.