

PRIVATE PENSIONS INDUSTRY STATISTICS

JUNE
2022

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OVERVIEW

For the second consecutive quarter in 2022, assets within the Jamaican private pensions industry experienced a marginal reduction, concomitant with a decline in the number of plans which sustained positive performances. Additionally, private pension coverage reduced by 0.27%. Until inflation and thereafter interest rates begin to trend downward, it is expected that pension plans will continue to experience a reduction in asset values, which could further impact the fulfilment of the plans' objective: to provide pension benefits, particularly defined contribution plans. Notably, however, 96% of active pension plans have reported adequate solvency levels.

As at June 30, 2022, the total value of assets in the industry amounted to **\$705.58 billion**.

OVERVIEW (cont'd)

Key changes over the June 2022 quarter:

- ↑ **MEMBERSHIP¹ • 0.73%**
JUN 2022: 143,822, MAR 2022: 142,778
- ↓ **NUMBER OF ACTIVE PLANS • -1.08%**
JUN 2022: 368, MAR 2022: 372
- ↓ **PENSION COVERAGE • -0.27%**
JUN 2022: 11.16%, MAR 2022 : 11.19%
- ↓ **NUMBER OF PLANS WITH ASSET GROWTH • -12.29%**
JUN 2022: 314, MAR 2022: 358
- ↓ **PRIVATE PENSION ASSETS • -0.94%**
JUN 2022: \$705.58B, MAR 2022: \$712.26B

The industry experienced an average growth of 2.24% per quarter over the past five (5) years.

The employed labour force² for Jamaica increased at a faster rate (0.97%) than total membership for private pension plans (0.73%) during the quarter. This resulted in an overall 0.27% decrease in private pension coverage for active plans to 11.16% as at June 30, 2022, while total private pension coverage decreased to 11.33%, representing the seventh consecutive quarterly reduction in private pension coverage.

Figure 1.0: Growth Trend of Total Industry Assets

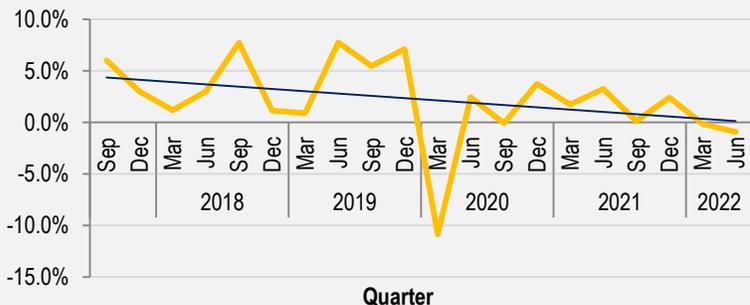
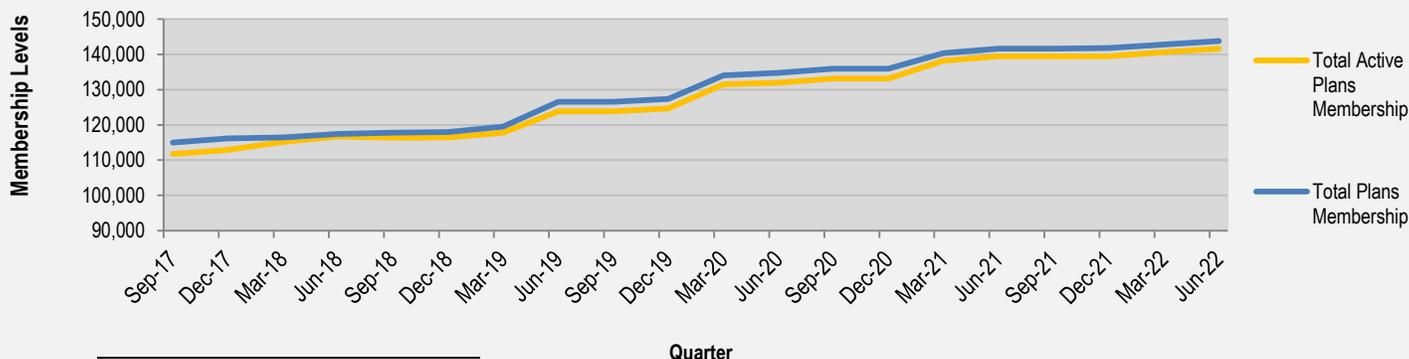


Figure 1.1: Pension Coverage in the Jamaican Private Pensions Industry



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



¹ This represents membership in all plans.

² The Jamaican employed labour force as at April 30, 2022 was 1,269,300 according to the Statistical Institute of Jamaica (<https://statinja.gov.jm/>).

INVESTMENT MIX

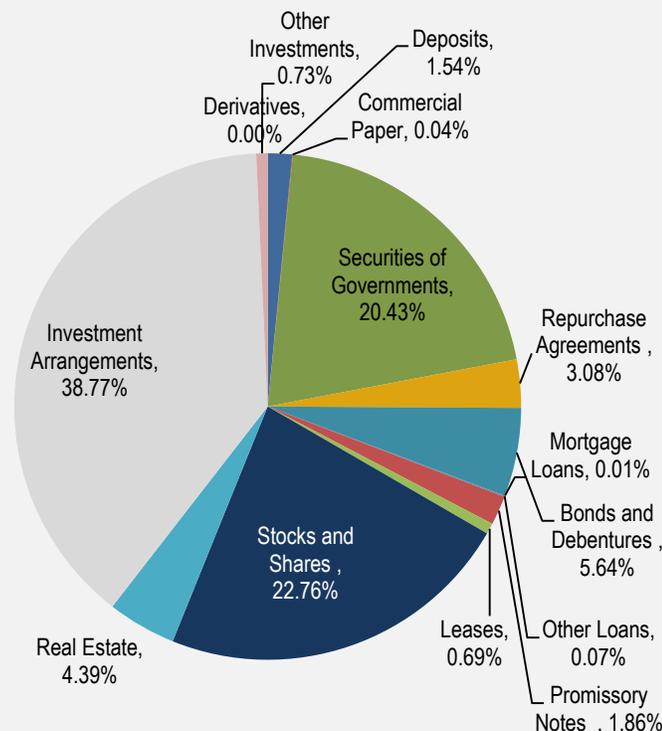
Private Pension Assets

As at June 30, 2022, three (3) asset classes continued to account for more than 81% of the aggregate investment mix: investments in pooled arrangements (\$273.95 billion or 38.77%), stocks and shares (\$160.83 billion or 22.76%), and Government of Jamaica (“GOJ”) securities (\$144.33 billion or 20.43%). All of the aforementioned asset classes experienced value declines during the period; however, the 2.59% fall in the value of investments in GOJ securities represented the largest reduction of the three (3). Moreover, the overall reduction in private pension assets was resultant from eight (8) of thirteen (13) asset classes experiencing decreases, which is reflective of the current uncertainty in the investment markets with regards to volatile interest rates and return on investments.

It should be noted that the JSE main index declined for the quarter ended June 2022 and is comparable to the decline in total private pension assets, given that equities accounts for the second largest asset class of private pension assets. In addition, given the contractionary monetary policy that is currently being employed by the Bank of Jamaica (“BOJ”), bond yields are rising because of higher interest rate and the price of bonds and other interest-bearing assets have declined as a result.

By the close of the quarter, “other investments” had the largest quarterly growth (11.56%), primarily due to the acquisition of additional unit trust investments by the pension plans managed by one (1) investment manager (“IM”). On the contrary, deposits decreased by 10.81% and this represented the largest reduction in asset values for the quarter and the first decrease in deposits held by pension plans since September 2021. The aforementioned redirection of funds to other investments was largely responsible for the reduction. Notably, promissory notes experienced the largest annual growth (90.27%) and other loans contracted by 89.28% during the year, commensurate with a reclassification by one (1) IM during the March 2022 quarter. (See Figure 2.0 and Table 1)

Figure 2.0: Allocation of Total Private Pension Assets as at June 30, 2022



Key changes over the quarter:



TOTAL INVESTMENTS IN REPURCHASE AGREEMENTS • 9.05%
JUN 2022: \$21.78B, MAR 2022: \$19.96B



TOTAL INVESTMENTS IN OTHER INVESTMENTS • 11.56%
JUN 2022: \$5.13B, MAR 2022: \$4.60B



TOTAL INVESTMENTS IN GOVERNMENT SECURITIES • -2.59%
JUN 2022: \$144.33B, MAR 2022: \$148.42B



TOTAL DEPOSITS • -10.81%
JUN 2022: \$10.90B, MAR 2022: \$12.22B

Table 1: Aggregate Investment Portfolio Mix

Types of 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
	30-Jun-22		31-Mar-22			
Deposits	10,900.07	1.54%	12,220.63	1.72%	-10.81%	6.21%
Commercial Paper	291.01	0.04%	310.88	0.04%	-6.39%	-29.97%
Securities of Governments	144,328.60	20.43%	148,162.73	20.83%	-2.59%	-3.48%
Repurchase Agreements	21,776.77	3.08%	19,969.80	2.81%	9.05%	-15.37%
Bonds and Debentures	39,876.42	5.64%	40,980.26	5.76%	-2.69%	1.77%
Mortgage Loans	39.73	0.01%	40.41	0.01%	-1.68%	58.04%
Other Loans	485.59	0.07%	468.36	0.07%	3.68%	-89.28%
Promissory Notes	13,125.79	1.86%	13,423.80	1.89%	-2.22%	90.27%
Leases	4,882.21	0.69%	4,768.10	0.67%	2.39%	12.09%
Stocks and Shares	160,828.89	22.76%	161,489.44	22.70%	-0.41%	-0.65%
Real Estate	30,984.50	4.39%	30,761.13	4.32%	0.73%	3.39%
Investment Arrangements	273,947.25	38.77%	274,162.16	38.54%	-0.08%	5.12%
Derivatives	0.00	0.00%	0.00	0.00%	0.00%	0.00%
Other Investments	5,127.56	0.73%	4,596.15	0.65%	11.56%	22.90%
Total Investments	706,594.38	100.00%	711,353.82	100.00%	-0.67%	1.30%
Other Net Assets	-1,010.48		910.60		-210.97%	-44.18%
Total Assets	705,583.91		712,264.42		-0.94%	1.42%

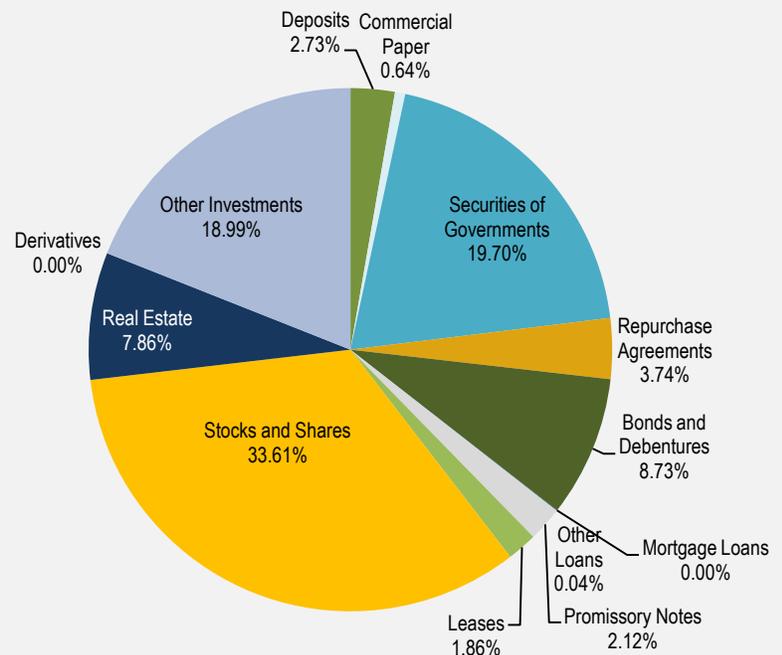
The March 2022 quarter was restated.

Pooled Investment Arrangements (“PIAs”)

The PIA portfolio, which is inclusive of investments in Type I, Type II Pooled Funds and Deposit Administration Funds, was valued \$273.95 billion at the end of Q2, evidencing a marginal decline (0.08%) from the previous quarter and the first reduction in value since September 2020. Indirect investments in stocks and shares (\$89.61 billion or 33.61%), GOJ securities (\$52.64 billion or 19.70%) and other investments (\$50.75 billion or 18.99%) remained the three (3) largest asset classes, with negligible changes to the composition of the portfolio.

Indirect investments in leases experienced a substantial increase of 323.85% over the quarter, due to the acquisition of lease assets by the PIA of one (1) IM. Further, the sole IM with other loans in its PIA contributed to a 100% increase in the asset class. Indirect investments in commercial papers saw the largest value contraction during the quarter (8.92%) due to the maturity of these papers. (See: Figure 2.1 and Table 2)

Figure 2.1: Allocation of Pension Assets in Pooled Investment Arrangements as at June 30, 2022



Key changes over the quarter:

-  **TOTAL INVESTMENTS IN PIA • -0.08%**
JUN 2022: **\$273.95B**, MAR 2022: **\$274.16B**
-  **INDIRECT INVESTMENTS IN LEASES • 323.85%**
JUN 2022: **\$4.96B**, MAR 2022: **\$1.17B**
-  **INDIRECT INVESTMENTS IN REPURCHASE AGREEMENTS • 16.73%**
JUN 2022: **\$10.00B**, MAR 2022: **\$8.57B**
-  **INDIRECT INVESTMENTS IN GOJ SECURITIES • -5.37%**
JUN 2022: **\$52.64B**, MAR 2022: **\$55.62B**

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-22		Mar-22			
Deposits	7,284.59	2.73%	6,387.53	2.38%	14.04%	30.23%
Commercial Paper	1,702.95	0.64%	1,869.68	0.70%	-8.92%	-19.94%
Securities of Governments	52,637.10	19.70%	55,623.84	20.75%	-5.37%	0.00%
Repurchase Agreements	10,003.71	3.74%	8,570.13	3.20%	16.73%	-6.78%
Bonds and Debentures	23,322.85	8.73%	22,491.39	8.39%	3.70%	8.23%
Mortgage	1.08	0.00%	1.10	0.00%	-1.63%	1,516.42%
Other Loans	102.04	0.04%	51.01	0.02%	100.04%	0.00%
Promissory Notes	5,666.14	2.12%	5,655.20	2.11%	0.19%	75.71%
Leases	4,959.54	1.86%	1,170.12	0.44%	323.85%	387.84%
Stocks and Shares	89,806.92	33.61%	92,946.04	34.67%	-3.38%	-2.58%
Real Estate	20,998.41	7.86%	20,672.03	7.71%	1.58%	29.16%
Investment Arrangements	0.00	0.00%	0.00	0.00%	0.00%	0.00%
Other Investments	50,746.10	18.99%	52,646.89	19.64%	-3.61%	1.31%
Total Pooled Investments³	267,231.44	100.00%	268,084.95	100.00%	-0.32%	31.79%
Other Net Assets	1,178.23		568.53		107.24%	17.99%
Other Investment Arrangements	5,537.59		5,508.67		0.52%	5.14%
Total Assets	273,947.25		274,162.16		-0.08%	31.05%

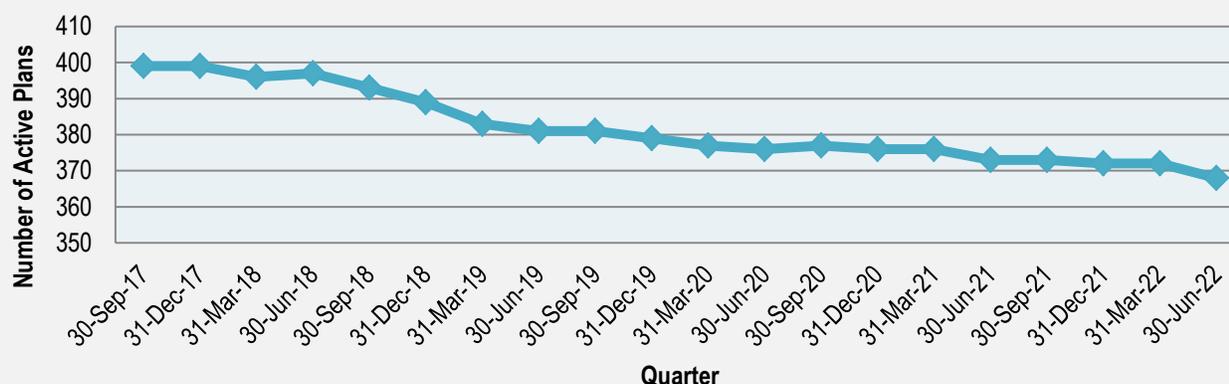
³ Total Pooled Investments describes Type I Pooled Funds and some Deposit Administration Funds.

OPERATING STATISTICS

Active Pension Plans

The number of active pension plans was 368 by the end of the quarter, a 1.08% decrease from the 372 reported as at March 2022, as four (4) pension plans initiated winding-up proceedings due to the cessation of contributions by the sponsor resulting from high administrative costs and financial difficulties. Further, there was a 0.87% decline in assets for active pension plans from \$703.59 billion to \$697.38 billion. Conversely, total membership in active plans increased by 0.74% to 141,650 during the period, as the membership increases in active pension plans outweighed the loss of members in the terminating plans which collectively had less than 10 members.

Figure 3.0: Growth Trend in Number of Active Pension Plans



Active Plans by Type

Defined Benefit (DB) vs. Defined Contribution (DC)

There were no major changes to the ratios of membership, number of plans and assets for DB versus DC plans during the quarter; DC plans continued to account for the majority of pension plans (76%) and membership (86%), while DB plans accounted for the larger portion of assets (59%). Notwithstanding the termination of four (4) DC plans, DC plans saw 0.23% and 0.88% growth in assets and membership respectively. On the contrary, asset values and membership in active DB plans contracted by 1.64% and 0.16% respectively. Evidently, the overall reduction in active pension plan asset values over the quarter was solely attributable to DB plans.

Table 3: Active Pension Plans by Benefit Type

	Jun 2022	Mar 2022	Dec 2021
Number of Plans			
Defined Benefit	87	87	87
Defined Contribution	281	285	285
Total Active Plans	368	372	372
Membership			
Defined Benefit	19,647	19,679	19,547
Defined Contribution	122,003	120,936	119,875
Total Membership	141,650	140,615	139,422
Asset Values			
Defined Benefit (\$' Millions)	408,958	415,765	418,435
Defined Contribution (\$' Millions)	288,422	287,754	285,822
Total Asset Values (\$' Millions)	697,379	703,526	704,258

March 2022 has been restated.

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

The total number of RS within the Jamaican private pensions industry remained the same (13) during the June 2022 quarter, and the number of active SF decreased to 355. Nevertheless, SF still accounted for approximately 91% of assets in the industry. Similar to the previous quarter, the total asset value in SF declined from \$643.11 billion to \$636.40 billion. On the other hand, the total assets in RS amounted to \$61.03 billion, reflecting a 0.90% increase from the \$60.48 billion reported as at March 2022 and representing the 7th consecutive quarterly increase. Continuing on trend, membership in RS increased at a faster rate (1.53%) than SF (-0.10%). While RS may account for only 9% of active plan assets, especially as sponsor contributions are not required for members enrolled in schemes, it is evident that more individuals are taking advantage of the individual pension product. (See Figures 3.1 to 3.5)

Figure 3.1: Number of Superannuation Funds vs Retirement Schemes

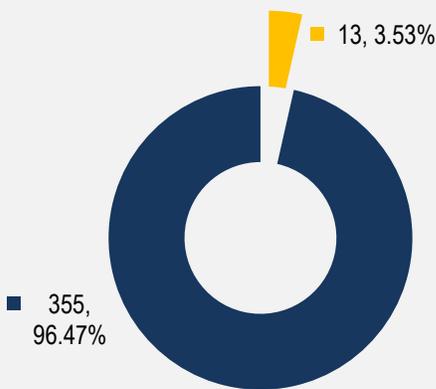


Figure 3.2: Number of Members in Superannuation Funds and Retirement Schemes

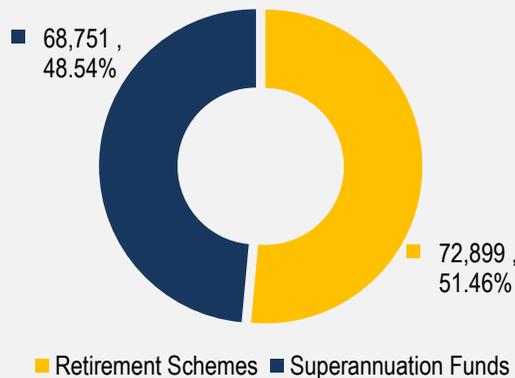


Figure 3.3: Assets in Superannuation Funds vs Retirement Schemes (\$'Millions)

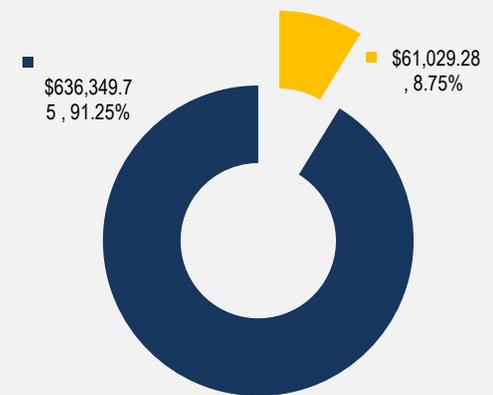


Figure 3.4: Asset Values for Superannuation Funds

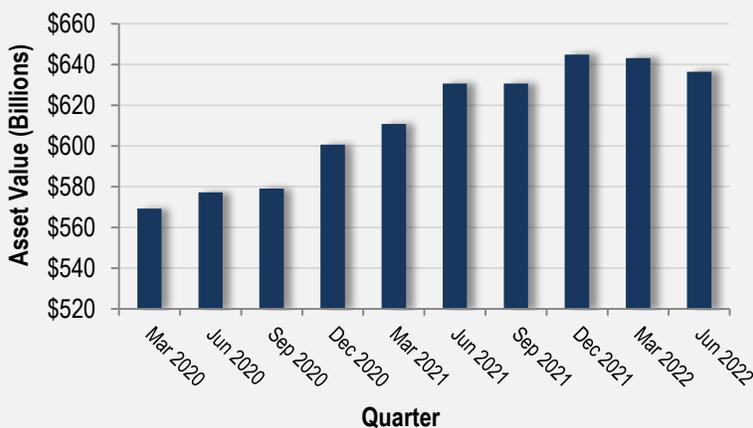
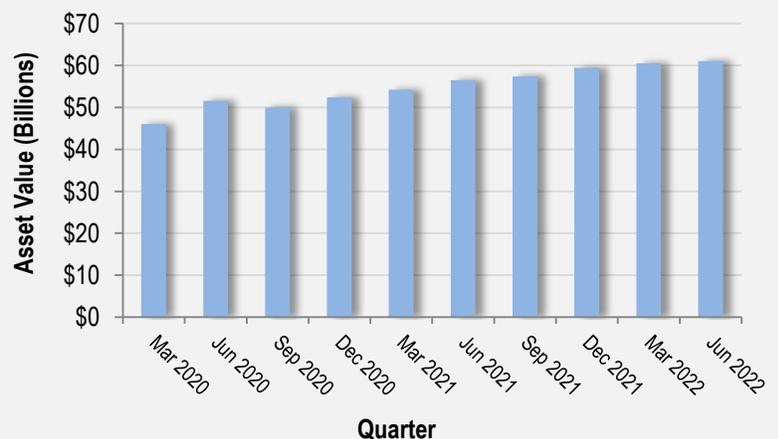


Figure 3.5: Asset Values for Retirement Schemes



Active Superannuation Funds by Industry

As at June 30, 2022, private pension assets saw a reduction amongst all industries except for Agriculture and Tourism. This is in tandem with the growth reported for these industries by the Planning Institute of Jamaica (“PIOJ”) during April to June 2022. According to PIOJ, the Agriculture industry experienced growth of around 12.6% while sectors within the Tourism industry experienced growth of over 50%. The growth in both sectors is attributable to the increase in demand for the products and services that they offer. With almost all pension plans operated by companies within these industries experiencing a reduction in pension assets during the quarter, this resulted in an average decrease of 0.97%. By the end of the quarter, the pension plans of companies operating in the Construction industry experienced the largest decline in asset values (2.48%) mainly due to a decline for one (1) of eight (8) plans in the industry. On the other hand, the Manufacturing industry pension plans had the largest advance in membership (1.72%) solely due to one (1) plan’s growth in the total of 24 plans.

Similar to the previous quarters, Commerce & Finance and Services continued to be the leading sectors, with 37.59% and 17.65% of active SF assets respectively, notwithstanding corresponding marginal declines of 1.71% and 0.40%. Additionally, the Services sector continued to account for the largest portion of participants (35.22%) and SF (36.90%), while the Commerce and Finance sector retained the second largest number of participants (18.78%) and number of SF (14.93%). (See Figures 3.6 to 3.8)

Figure 3.6: Percentage of Active Funds by Industry

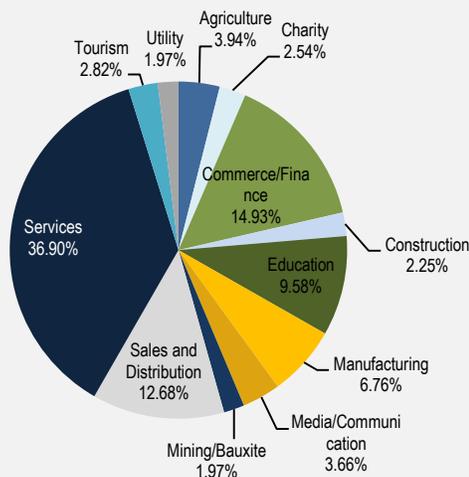


Figure 3.7: Active Membership in Funds by Industry

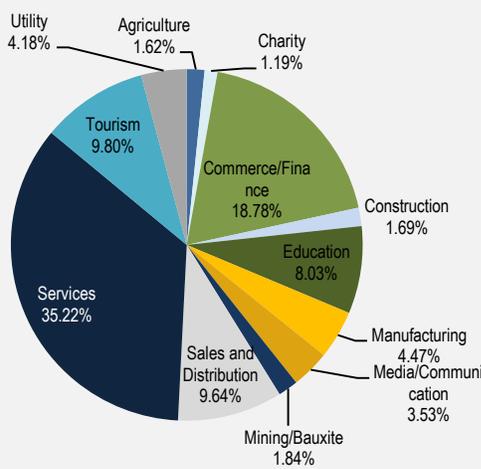
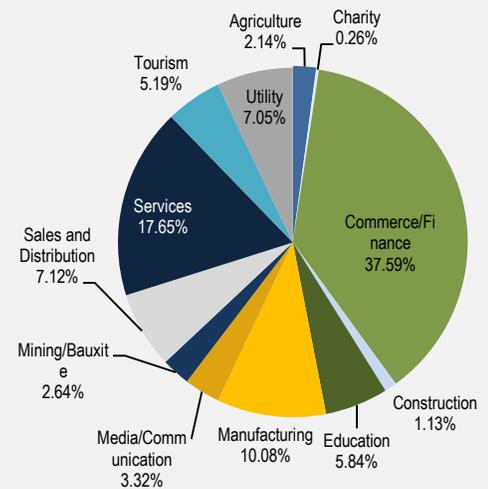


Figure 3.8: Asset Values for Funds by Industry



Solvency of Active Pension Plans

For the quarter ended June 30, 2022, the FSC received solvency data for 353 active plans, four (4) less than the previous quarter concurrent with the plan terminations. Of those plans, 339 or 96% of them were solvent; the percentage of solvent plans has remained at approximately 96% for the past two (2) years. Two hundred and ten (210) or 59% of plans reported solvency levels between 100% and 120%, 21% reported solvency levels between 120% and 150% and 15% had a ratio greater than 150%, the majority (70%) of which were DB plans.

The number of insolvent plans remained the same at 14. Of the fourteen (14) plans reported as insolvent, ten (10) were DC plans, which should not occur given the nature of true DC plans. However, failure of sponsors to remit contributions in a timely manner and in some cases, inadequate trustee oversight evidenced by the absence of remedial actions being taken, has resulted in sustained insolvency. For the four (4) insolvent DB plans, the sponsors have the obligation to finance the shortfall. Therefore, trustees and sponsors alike have the fiduciary duty to monitor their plans’ financial health in order to reduce the occurrence of insolvent plans and fulfil the ultimate objective of their pension plans: to provide sufficient pension benefits for participants. The FSC continues to actively monitor these pension plans and is in constant dialogue with their trustees and administrators. (See Table 4)

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	11	1	4	1	5	90.91%
	DC	30	0	22	6	2	100.00%
	Total	41	1	26	7	7	97.56%
2020	DB	22	1	6	6	9	95.45%
	DC	78	4	53	18	3	94.87%
	Total	100	5	59	24	12	95.00%
2019	DB	29	0	7	9	13	100.00%
	DC	76	2	56	11	7	97.37%
	Total	105	2	63	20	20	98.10%
2018	DB	17	1	2	7	7	94.12%
	DC	61	3	43	11	4	95.08%
	Total	78	4	45	18	11	94.87%
2017 and earlier	DB	7	1	2	0	4	85.71%
	DC	22	1	15	6	0	95.45%
	Total	29	2	17	6	4	93.10%
OVERALL		353	14	210	75	54	96.03%

Inactive and Terminating Pension Plans

There was no change to the number of and membership in inactive plans as at June 30, 2022. Conversely, the number of terminating plans increased (0.94%) to 431 with a concurrent 1.98% increase in plan membership to 464. Total asset values for inactive pension plans increased to \$268 billion, which represents 2.03% growth when compared to the \$263 billion in March 2022. This increase was mainly due to growth in asset values reported for two (2) inactive DB plans. Total asset values for terminating plans continued to decline, as there was a 5.8% diminution, notwithstanding the termination of four (4) plans during the quarter. This resulted from 43% of terminating plans reporting a reduction in asset values, with ten (10) of those plans reporting more than a 30% reduction to reflect 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

	Jun-22	Mar-22	Dec-21
Number of Plans			
Defined Benefit	3	3	4
Defined Contribution	13	13	13
Total Inactive Plans	16	16	17
Membership			
Defined Benefit	1,655	1,655	1,668
Defined Contribution	53	53	56
Total Membership	1,708	1,708	1,724
Asset Values			
Defined Benefit (\$' Mil)	202	196	223
Defined Contribution (\$' Mil)	66	67	66
Total Asset Values (\$' Mil)	268	263	289

Table 6: Terminating Pension Plans by Benefit Type

	Jun-22	Mar-22	Dec-21
Number of Plans			
Defined Benefit	103	103	102
Defined Contribution	328	324	324
Total Terminating Plans	431	427	426
Membership			
Defined Benefit	129	129	98
Defined Contribution	335	326	529
Total Membership	464	455	627
Asset Values			
Defined Benefit (\$' Mil)	3,859	4,147	4,471
Defined Contribution (\$' Mil)	3,424	3,586	3,636
Total Asset Values (\$' Mil)	7,283	7,733	8,107

Investment Managers

As at June 30, 2022, there were no new entrants to the market. As a result, there still remained 25 IMs that consisted of fifteen (15) Securities Dealers (“SDs”), two (2) Life Insurance Companies (“LICs”) and six (6) other IMs. SDs continued to account for approximately 55% of Funds under Management (“FUM”), ending the quarter with \$391.11 billion; this was followed by LICs which accounted for \$258.39 billion. During the quarter under review, FUM for all categories of IMs decreased, with LICs experiencing the largest reduction in FUM at 1.62%.

Figure 3.9: Investment Managers' Share of Market Assets

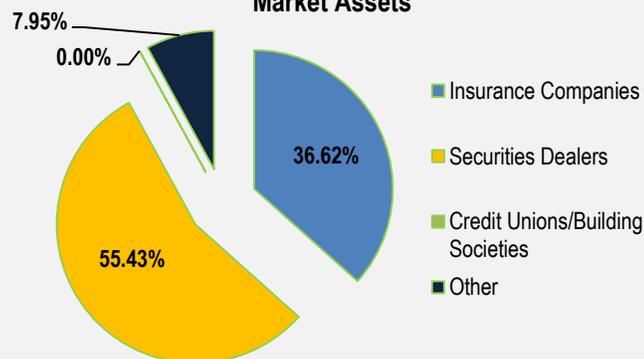


Table 7: Total Assets under Management of Investment Managers

Investment Managers	Number of Entities Jun 2022	Asset Values Jun 2022 (\$'Millions)	Number of Entities Mar 2022	Asset Values Mar 2022 (\$'Millions)	Number of Entities Dec 2021	Asset Values Dec 2021 (\$'Millions)
Life Insurance Companies	2	258,392	2	262,658	2	265,806
Securities Dealers	15	391,107	15	393,032	15	391,551
Credit Unions	2	0	2	-	2	-
Other	6	56,084	6	56,575	6	55,993
Total	25	705,584	25	712,264	25	713,349

March 2022 was restated.

RISK OUTLOOK



For the quarter ended June 2022, the PIOJ reported that the Jamaican economy continued its notable trend of overall positive economic growth with real gross domestic product (GDP) estimated to have grown by 5.7%, in comparison to the corresponding quarter of 2021. This outcome was partly due to the removal of COVID-19 pandemic related measures which were still present over the corresponding period last year. According to the PIOJ, some other contributing factors which led to the growth experienced included the strong growth in the Tourism industry and its affiliated services, the higher growth in Agricultural production as well as improvements in unemployment levels and consumer confidence. This encouraging economic outlook could therefore lead to an increased formation of active pension plans and pension plan membership within the performing industries and their respective allied services.



Given the continued overall positive economic growth experienced in the Jamaican economy, there had been an improvement in the country's unemployment rate. As at April 2022, the Statistical Institute of Jamaica (STATIN) had announced that the unemployment rate for April 2022 was 6% compared to 9% for the corresponding quarter of 2021. The leading determinant of this was attributable to the increased employment of labour in the Real Estate and Other Business Services industries. Additionally, it is important to note that the actual size of the labour force had also increased from 1,325,400 to 1,350,300 in comparison to the corresponding period indicating an increase of 24,900 (1.9%). Given the positive growth in the labour force, this could lead to an eventual increase in private pension coverage.

if the growth is accompanied by companies within these sectors sponsoring pension arrangements for their employees, as well as additional efforts to educate the newly employed individuals about the importance of retirement saving.

The Bank of Jamaica (BOJ) reported that annual point-to-point inflation continued to exceed its inflation target band of 4% to 6% with annual point-to-point inflation for June 2022 being 10.9%. STATIN has stated that inflation for the period was influenced mainly by the increased point-to-point inflation rate in the Food and Non-Alcoholic Beverages, Transport, and Restaurants and Accommodation Services divisions within the economy. Another contributing factor for the price level experienced locally was due to spillover effects from the conflict in Eastern Europe which has led to increased energy and grain (corn, wheat, and barley) prices worldwide. Though the BOJ has maintained its efforts of increasing the policy rate in an attempt to curb local inflation, this may have a negative short to medium effect on the real yields achieved by pension plans which may also limit their ability to fulfill their mandate.

The JSE main index declined in value from 389,773.53 points to 384,185.82 during the quarter ended June 2022. Similarly, there was a decrease in the value of equities within the aggregate private pension investment mix over the quarter which amounted to 0.41%. Given that stocks and shares continue to be the second largest asset class for private pensions, investment managers should continue to actively monitor the movements in the market as well as continue to conduct prudent risk analyses of the companies for which stocks and shares are held in to reduce possible future losses due to volatility. It is expected that trustees will ensure that there is sufficient due diligence practiced in managing the plans assets within the predetermined risk appetite of the pension plan.

SUMMARY

As the economy continues to experience rising interest rates and high inflation rates, the Jamaican private pensions industry continues to face a reduction in asset values. As at June 30, 2022, private pensions asset values declined marginally by 0.94% from 712.26 billion to \$705.58 billion. Moreover, fewer plans reported growth in asset values and overall private pension coverage continued to decline.

As the world continues to fear a global recession coupled with the continuous downturn in equity markets, uncertainties have also risen on how it will impact retirement savings. The FSC continues to remind trustees to ensure that portfolios are sufficiently diversified and to establish a risk management framework that will aid in reducing the shocks of a possible recession. Also, the FSC will continue to partner with all industry stakeholders to protect all members and beneficiaries within the Jamaican private pension industry.