

PRIVATE PENSIONS INDUSTRY STATISTICS

SEPTEMBER
2022

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OVERVIEW

For the quarter ended September 30, 2022, total private pension assets declined by 2.08%, the highest quarterly reduction in assets reported since the start of 2022. As the value of pension assets continue to decrease, the number of plans experiencing asset growth has also decreased moving from 314 in Q2 to 264 as at Q3, representing a 15.92% decline. This downward movement in pension asset values is a direct reflection of the volatility within the Jamaican capital markets. A certain amount of normalcy is expected to return to the Jamaican capital markets as despite heightened interest rates which have been used by global central banks to battle inflation, concerns are being tempered and Jamaica's major trading partners have recorded growth after months of recession concerns.

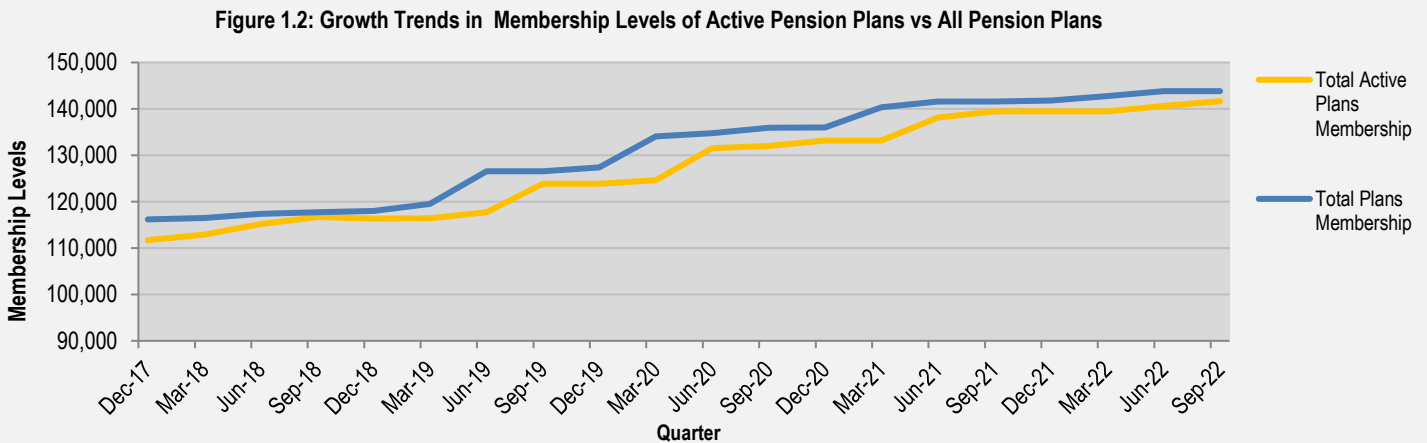
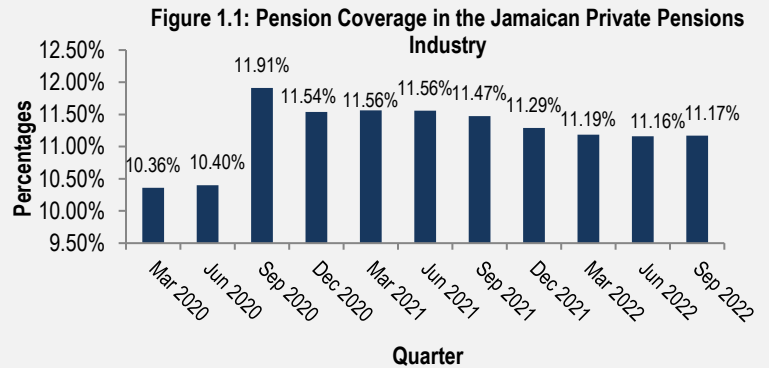
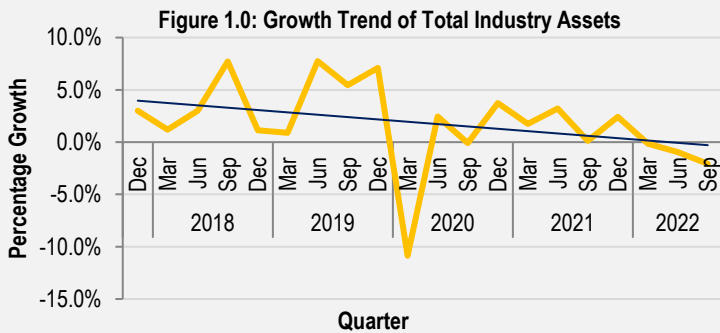
As at September 30, 2022, the total value of assets in the industry amounted to **\$690.89 billion**.

OVERVIEW (cont'd)

Key changes over the September 2022 quarter:

- **MEMBERSHIP¹**
SEP 2022: 143,822, JUN 2022: 143,822
- **NUMBER OF ACTIVE PLANS**
SEP 2022: 368, JUN 2022: 368
- ↑ **PENSION COVERAGE • 0.09%**
SEP 2022: 11.17%, JUN 2022: 11.16%
- ↓ **NUMBER OF PLANS WITH ASSET GROWTH • -15.92%**
SEP 2022: 264, JUN 2022: 314
- ↓ **PRIVATE PENSION ASSETS • -2.08%**
SEP 2022: \$690.89B, JUN 2022: \$705.58B

Private pension coverage increased marginally by 0.09% during the quarter, the first increase since March 2021. This was largely due to the reduction in the employed labour force² of Jamaica.



¹ This represents membership in all plans.

² The Jamaican employed labour force as at July 30, 2022, was 1,268,000 according to the Statistical Institute of Jamaica (<https://statinja.gov.jm/>).

INVESTMENT MIX

Private Pension Assets

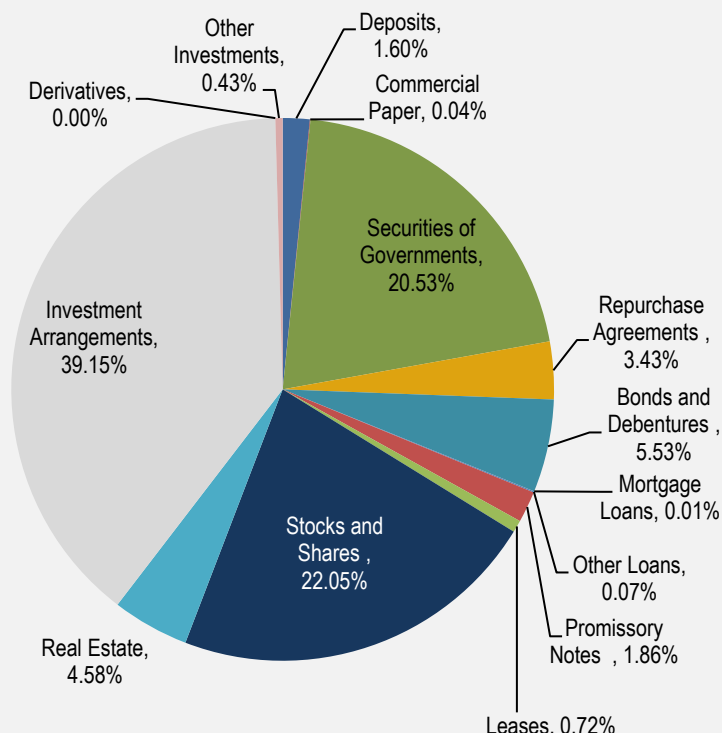
The approximate \$15 billion decline in total private pension assets was largely due to the reduction in the value of eight (8) of the thirteen (13) asset classes reported. Additionally, the overall reduction in asset values over the quarter is a direct reflection of the existing uncertain macroeconomic and financial environment in Jamaica defined by higher interest rates and volatile movements in asset prices.

At the end of the third quarter, pension contributions were predominantly placed in investment arrangements (\$270.15 billion or 39.15%), stocks and shares (\$152.13 billion or 22.05%), and government securities (\$141.63 billion or 20.53%). The value of investment arrangements and government securities have been on the decline since the first quarter of 2022 whereas stock and shares have been experiencing a reduction in value since the last quarter. The overall reduction in all three asset classes over the periods noted has varied ranging between 1% to 6%. As at September 2022, stocks and shares saw the largest reduction (5.40%) among the three (3) leading asset classes and the largest reported since the start of the 2022 financial period, which is concomitant to the decline in the JSE main index for the corresponding quarter and the volatility being experienced in the equity markets.

Over the last two quarters, it has been noted that investments in leases and real estate have been increasing within pension plan portfolios. During the September 2022 quarter, both asset classes experienced growth of 1.90% and 2.03% respectively: 18.75% and 5.45% year over year. This comes as no surprise as both asset classes serve as a diversifier that protects against market volatility; a source of durable income that helps pensions meet their financial liability to recipients; and as an inflation hedge.

Overall, "Other Investments" unlike in the previous quarter saw the largest reduction of 41.95% as at September 2022. This was largely due to a reduction of investments in unit trust funds managed by one (1) investment manager (IM). Conversely, repurchase agreements experienced the largest quarterly growth of 8.75%. This increase was resulted from a majority of the plans managed by one (1) IM increasing their investments in repurchase agreements for Q3. (See Figure 2.0 and Table 1).

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



Key changes over the quarter:



TOTAL INVESTMENTS IN Repurchase Agreements • 8.75%
SEP 2022: \$23.68B, JUN 2022: \$21.78B



TOTAL INVESTMENTS IN Real Estate • 2.03%
SEP 2022: \$31.61B, JUN 2022: \$30.98B



TOTAL INVESTMENTS IN Other Investments • -41.95%
SEP 2022: \$2.98B, JUN 2022: \$5.13B



TOTAL INVESTMENTS IN Commercial Paper • -12.64%
SEP 2022: \$254.23M, JUN 2022: \$291.01M

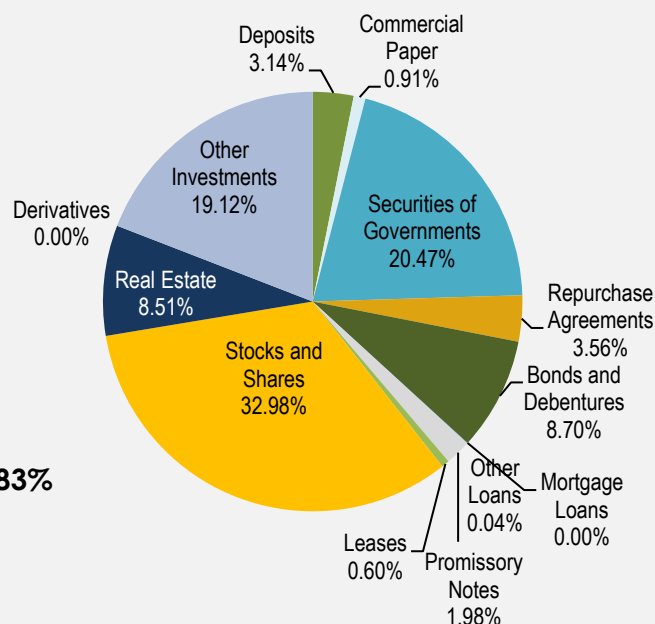
Table 1: Aggregate Investment Portfolio Mix

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
	Sep-22		Jun-22			
Deposits	11,054.54	1.60%	10,900.07	1.54%	1.42%	11.91%
Commercial Paper	254.23	0.04%	291.01	0.04%	-12.64%	-34.23%
Securities of Governments	141,635.64	20.53%	144,328.60	20.43%	-1.87%	-5.04%
Repurchase Agreements	23,681.16	3.43%	21,776.77	3.08%	8.75%	-10.81%
Bonds and Debentures	38,179.09	5.53%	39,876.42	5.64%	-4.26%	-3.65%
Mortgage Loans	39.03	0.01%	39.73	0.01%	-1.75%	-6.52%
Other Loans	466.48	0.07%	485.59	0.07%	-3.93%	-89.88%
Promissory Notes	12,848.72	1.86%	13,125.79	1.86%	-2.11%	91.43%
Leases	4,975.07	0.72%	4,882.21	0.69%	1.90%	18.75%
Stocks and Shares	152,138.62	22.05%	160,828.89	22.76%	-5.40%	-3.29%
Real Estate	31,613.59	4.58%	30,984.50	4.39%	2.03%	5.45%
Investment Arrangements	270,152.19	39.15%	273,947.25	38.77%	-1.39%	1.87%
Derivatives	0.00	0.00%	0.00	0.00%	0.00%	0.00%
Other Investments	2,976.63	0.43%	5,127.56	0.73%	-41.95%	-31.74%
Total Investments	690,014.99	100.00%	706,594.38	100.00%	-2.35%	-1.14%
Other Net Assets	872.38		-1,010.48		-186.33%	-161.24%
Total Assets	690,887.36		705,583.91		-2.08%	-0.82%

Pooled Investment Arrangements (PIAs)

As at September 2022, the total PIA portfolio was valued at \$270.15 billion, a second consecutive quarterly decrease. The PIA portfolio consists of Type I, Type II Pooled Funds and Deposit Administration Funds where pension contributions are indirectly invested in various asset classes. The top three asset classes within the PIA portfolio continued to be stocks and shares (\$87.02 billion or 32.98%), government securities (\$53.99 billion or 20.47%), and other investments (\$50.43 billion or 19.12%).

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



Key changes over the quarter:

- ↓ **TOTAL INVESTMENTS IN PIA • -1.39%**
SEP 2022: **\$270.15B**, JUN 2022: **\$273.95B**
- ↑ **INDIRECT INVESTMENTS IN Commercial Paper • 40.83%**
SEP 2022: **\$2.40B**, JUN 2022: **\$1.70B**
- ↑ **INDIRECT INVESTMENTS IN Deposits • 13.86%**
SEP 2022: **\$8.29B**, JUN 2022: **\$7.28B**

Table 2: PIA Portfolio Mix

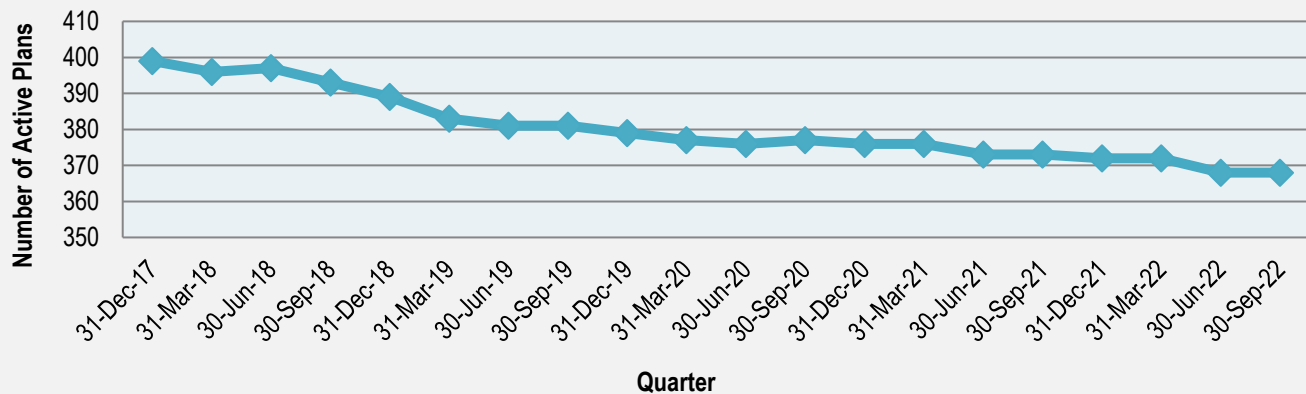
Types of Investment	Amount Invested \$' Millions	% of Total Investments	Amount Invested \$' Millions	% of Total Investments	Quarter over Quarter Growth in PIAs	Year over Year Growth in PIAs
	Sep-22		Jun-22			
Deposits	8,294.45	3.14%	7,284.59	2.73%	13.86%	41.27%
Commercial Paper	2,398.26	0.91%	1,702.95	0.64%	40.83%	18.86%
Securities of Governments	53,995.84	20.47%	52,637.10	19.70%	2.58%	6.08%
Repurchase Agreements	9,381.47	3.56%	10,003.71	3.74%	-6.22%	-1.05%
Bonds and Debentures	22,949.63	8.70%	23,322.85	8.73%	-1.60%	-8.26%
Mortgage	1.06	0.00%	1.08	0.00%	-1.75%	-98.41%
Other Loans	104.11	0.04%	102.04	0.04%	2.02%	0.00%
Promissory Notes	5,215.86	1.98%	5,666.14	2.12%	-7.95%	56.32%
Leases	1,581.89	0.60%	4,959.54	1.86%	-68.10%	44.62%
Stocks and Shares	87,018.70	32.98%	89,806.92	33.61%	-3.10%	-3.21%
Real Estate	22,444.27	8.51%	20,998.41	7.86%	6.89%	11.99%
Other Investments	50,432.59	19.12%	50,746.10	18.99%	-0.62%	-1.07%
Total Pooled Investments ³	263,818.13	100.00%	267,231.43	100.00%	-1.28%	2.00%
Other Net Assets	897.83		1,178.23		-23.80%	-27.36%
Other Investment Arrangements	5,436.22		5,537.59		-1.83%	2.42%
Total Assets	270,152.19		273,947.25		-1.39%	1.87%

OPERATING STATISTICS

Active Pension Plans

There was no movement in the total active pension plans within the private pension industry remained during the quarter. Total assets declined by 2.04% during the quarter moving from \$697.38 billion to \$683.12 billion.

Figure 3.0: Growth Trend in Number of Active Pension Plans



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

Active Plans by Type

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

As at September 2022, the FSC completed a reclassification exercise which focused on reclassifying both DB and DC plans based on their specific plan benefit type and in line with OECD⁴ definition and international standards adopted by the FSC. Currently, there are three specific types of DB plans: Traditional Defined Benefit (TDB), Hybrid Defined Benefit (HDB) and Mixed Defined Benefit (MDB)⁵. Each plan type and their nuances have varying risk exposures and the FSC through its risk based supervisory approach monitors these risks accordingly.

There were 255 active DC plans with 100,930 members at the end of Q3, similar to the previous quarter⁶. However, total asset values saw a 0.81% reduction moving from \$219.27 billion to \$217.49 billion. The asset values for DB plans decreased for the quarter moving from \$478.10 billion to \$465.63 billion. DB plans however continue to account for more than 50% of total private pension assets. TDB plans reported assets of \$391.53 billion, the largest among all DB plans in the pension industry. Of the three categories of DB plans, most DB plans (84) were TDB; however, HDB plans had the largest number of members (20,685). HDB plan assets had the largest quarterly reduction (3.08%) among all three types of DB plans.

Table 3: Active Pension Plans by Benefit Type

	Sep 2022	Jun 2022	Mar 2022
Number of Plans			
Traditional Defined Benefit	84	84	84
Mixed Defined Benefit	4	4	4
Hybrid Defined Benefit	25	25	25
Defined Contribution	255	255	259
Total Active Plans	368	368	372
Membership			
Traditional Defined Benefit	19,312	19,312	19,344
Mixed Defined Benefit	723	723	723
Hybrid Defined Benefit	20,685	20,685	20,681
Defined Contribution	100,930	100,930	99,867
Total Membership	141,650	141,650	140,615
Asset Values			
Traditional Defined Benefit (\$' Millions)	391,526	401,650	407,996
Mixed Defined Benefit (\$' Millions)	8,454	8,712	9,189
Hybrid Defined Benefit (\$' Millions)	65,654	67,742	67,661
Defined Contribution (\$' Millions)	217,491	219,274	218,743
Total Asset Values (\$' Millions)	683,125	697,379	703,590

March & June 2022 have been restated.

⁴ Organisation for Economic Co-operation and Development

⁵ TDB - A DB plan where benefits are linked through a formula to the members' wages or salaries, length of employment, or other factors.

HDB - A DB plan where benefits depend on a rate of return credited to contributions, where this rate of return is either specified in the plan rules, independently of the actual return on any supporting assets (e.g. fixed, index to a market benchmark, tied to salary or profit growth, etc.) or is calculated with reference to the actual return of any supporting assets and minimum return guarantee specified in the plan rules. HDB plans also refer to DC plans which guarantee pension payments from the fund.

MDB - A DB plan that has two separate DB and DC components, but which are treated as part of the same plan.

⁶ Prior period data was also reclassified.

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

The number of active SF and RS remained unchanged at 355 and 13 respectively. For SF, total assets decreased by 2.25% from \$636.50 billion in June 2022 to \$622.05 billion as at September 2022. Conversely, total assets for RS continued trending upwards, with a negligible 0.07% increase from \$61.03 billion to \$61.07 billion. This was due to the increase in asset values in five (5) of thirteen (13) RS. (See Figures 3.1 to 3.5)

Figure 3.1: Number of Superannuation Funds vs Retirement Schemes

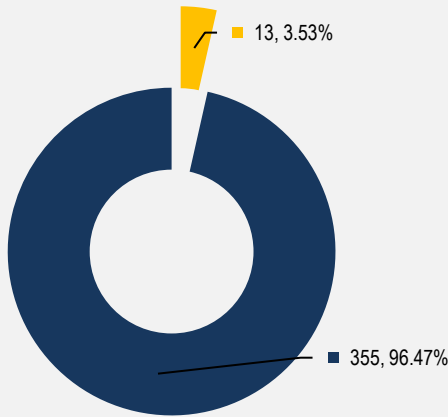


Figure 3.2: Number of Members in Superannuation Funds and Retirement Schemes

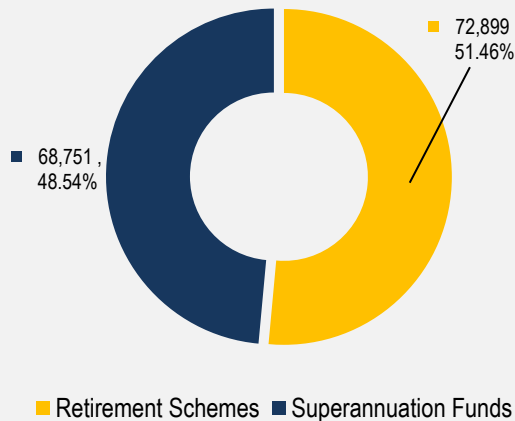
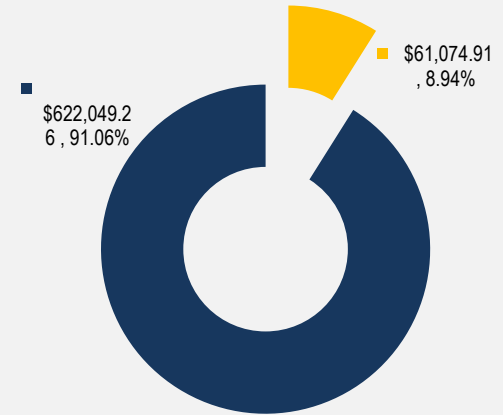


Figure 3.3: Assets in Superannuation Funds vs Retirement Schemes (\$'Millions)



■ Retirement Schemes ■ Superannuation Funds

Figure 3.4: Asset Values for Superannuation Funds

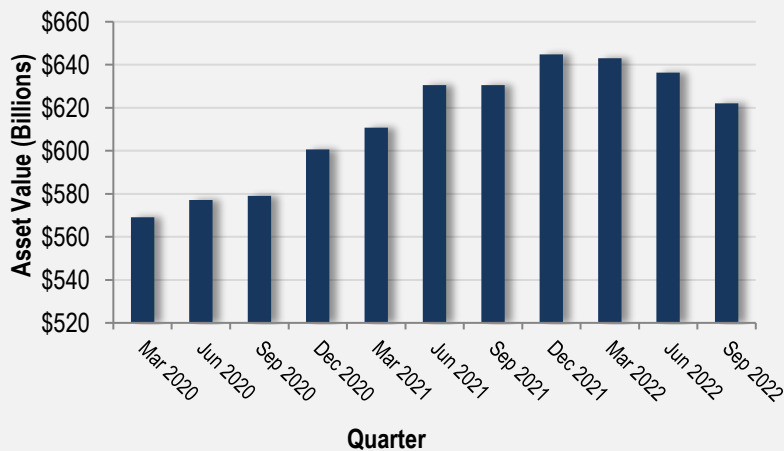
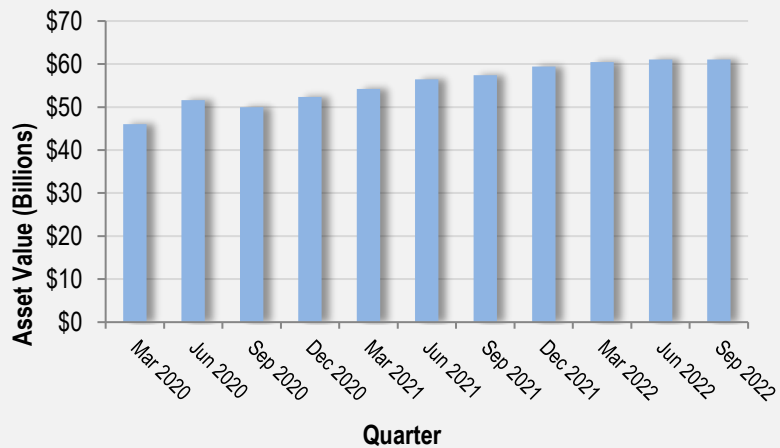


Figure 3.5: Asset Values for Retirement Schemes



Active Superannuation Funds by Industry

Following the completion of the FSC's reclassification exercise, active SF as at September 30, 2022 belonged to three main industries: Services (30.70% or 109), Sales and Distribution (14.93% or 53), and Commerce/Finance (14.93% or 53). Unlike previous periods, the tie for the number of plans in the Commerce/Finance and Sales and Distribution industries was solely a result of the reclassification exercise. Plans within the Commerce/Finance industry accounted for 37.92% (\$235.91 billion) of assets, followed by Services (15.79% or \$98.21

billion) and then Manufacturing (11.85% or \$73.74 billion). For membership, the industries that accounted for the most participants were: Services (31.35% or 21,556), Commerce/Finance (19.33% or 13,287), and Sales and Distribution (12.07% or 8,298).

For the first time since the start of 2022, all twelve (12) industries experienced a reduction in asset values which is in tandem with the overall reduction in asset values for the quarter. The industry with the highest reduction in asset values was Tourism (3.17%) and the industry with the lowest was Construction (1.18%). (See Figures 3.6 to 3.8)

Figure 3.6: Percentage of Active Funds by Industry

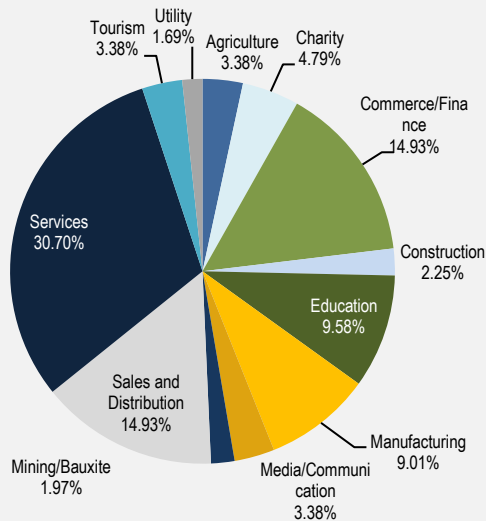


Figure 3.7: Active Membership in Funds by Industry

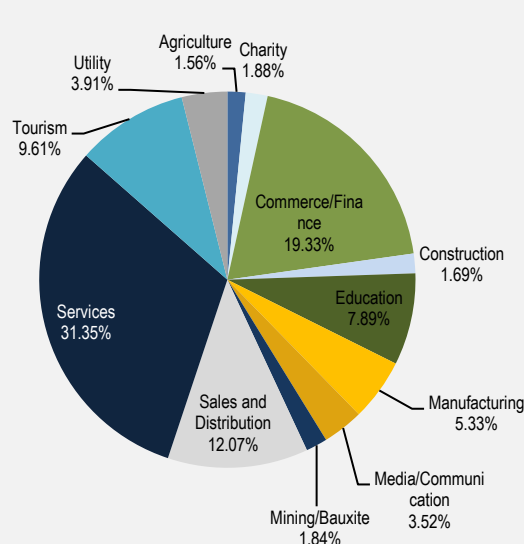
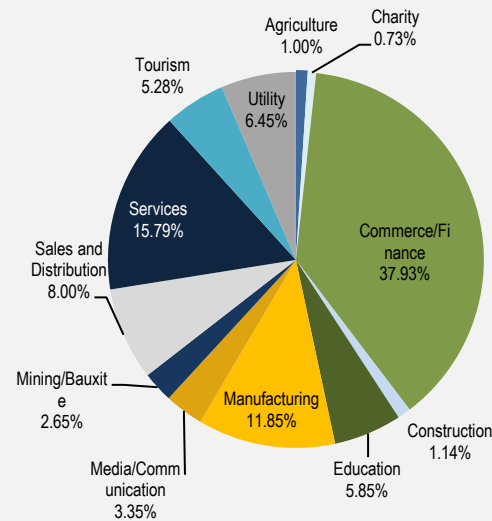


Figure 3.8: Asset Values for Funds by Industry



Solvency of Active Pension Plans

Solvency data was provided to the FSC for 353 active plans as at September 30, 2022, and 96% or 339 were deemed as solvent, like the previous quarter. The number of plans submitting reports consisted of 256 DC plans, nine (9) HDB plans, 84 TDB plans and four (4) MDB plans. Overall, DC plans continue to account for the vast majority (over 70%) of all solvent plans within the private pension industry.

At the end of the quarter, 211 pension plans representing over 50% of total active plans, reported solvency levels between 100% and 120%. Seventy-six (76) plans reported solvency levels between 120% and 150% and 52 plans reported solvency levels of over 150%. Of the 52 plans that reported solvency levels over 150%, thirty-five or 67.3% were TDB plans.

The number of insolvent plans remained unchanged at 14 which consisted of nine (9) DC plans and the remaining five (5); three (3) TDB, one (1) HDB and one (1) MDB. Given the true nature of DC plans, where benefits are dependent on contributions plus investment gains, DC plans should not be insolvent in theory. However, insolvent DC plans primarily occur due to poor governance particularly related to over-crediting members' accounts. The 14 plans would have also been the same as reported in the previous quarter however the FSC has been in constant dialogue with their trustees and administrators discussing strategies aimed at improving their solvency position. While the FSC continues to actively monitor these pension plans, the trustees and sponsors are reminded of their fiduciary duty to monitor their plans' financial health, to reduce the occurrence of insolvency and fulfil the ultimate objective of their pension plans: to provide sufficient pension benefits for participants. (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%	
2022	DC	3	0	3	0	0	100.00%
	Total	3	0	3	0	0	100.00%
2021	DC	34	0	26	6	2	100.00%
	HDB	2	0	2	0	0	100.00%
	TDB	13	1	4	2	6	92.31%
	MDB	0	0	0	0	0	0.00%
	Total	49	1	32	8	8	97.96%
2020	DC	78	3	54	18	3	96.15%
	HDB	3	1	2	0	0	66.67%
	TDB	23	1	6	7	9	95.65%
	MDB	2	0	1	1	0	100.00%
	Total	106	5	63	26	12	95.28%
2019	DC	70	2	49	11	8	97.14%
	HDB	2	0	2	0	0	100.00%
	TDB	29	0	7	9	13	100.00%
	MDB	1	0	1	0	0	100.00%
	Total	102	2	59	20	21	98.04%
2018	DC	55	3	38	11	3	94.55%
	HDB	1	0	1	0	0	100.00%
	TDB	16	0	2	7	7	100.00%
	MDB	1	1	0	0	0	0.00%
	Total	73	4	41	18	10	94.52%
2017 and earlier	DC	16	1	11	4	0	93.75%
	HDB	1	0	1	0	0	100.00%
	TDB	3	1	1	0	1	66.67%
	MDB	0	0	0	0	0	0.00%
	Total	20	2	13	4	1	90.00%
OVERALL		353	14	211	76	52	96.00%

Inactive and Terminating Pension Plans

As at September 30, 2022, total number of inactive pension plans and plan membership remained unchanged at 16 and 1,708 respectively. However, total assets values reflected a reduction of 7.8% shifting from \$268 million in Q2 to \$248 million in Q3. This was primarily due to 87% of inactive plans reporting a reduction in asset values as at the end of the quarter. For terminated plans, total membership and number of plans remained the same as at September 2022 with 431 plans and 455 members. Total assets, however, continued on the decline as assets experienced a reduction of 5.3% with benefits being paid out to beneficiaries as winding-up activities continue to take place. (See: Tables 5 and 6)

Table 5: Inactive Pension Plans by Benefit Type

	Sep-22	Jun-22	Mar-22
Number of Plans			
Defined Benefit	3	3	3
Defined Contribution	13	13	13
Total Inactive Plans	16	16	16

Table 6: Terminating Pension Plans by Benefit Type

	Sep-22	Jun-22	Mar-22
Number of Plans			
Defined Benefit	103	103	103
Defined Contribution	328	328	324
Total Terminating Plans	431	431	427

Membership			
Defined Benefit	1,655	1,655	1,655
Defined Contribution	53	53	53
Total Membership	1,708	1,708	1,708
Asset Values			
Defined Benefit (\$' Mil)	184	202	196
Defined Contribution (\$' Mil)	64	66	67
Total Asset Values (\$' Mil)	248	268	263

Membership			
Defined Benefit	129	129	129
Defined Contribution	335	335	326
Total Membership	464	464	455
Asset Values			
Defined Benefit (\$' Mil)	3,578	3,859	4,147
Defined Contribution (\$' Mil)	3,318	3,424	3,586
Total Asset Values (\$' Mil)	6,897	7,283	7,733

Investment Managers

The number of IM as at September 30, 2022, was unchanged at 25. The market composition was also retained with: 15 Securities Dealers (“SDs”), two (2) Life Insurance Companies (“LICs,”) and six (6) other IMs. Total Funds under Management (“FUM”) for all categories of IM experienced a reduction in value, with other IMs experiencing the largest reduction (-2.42%) over the quarter. SDs continued to manage more than 50% of the pension assets within the industry with \$382.82 billion FUM.

Figure 3.9: Investment Managers' Share of Market Assets

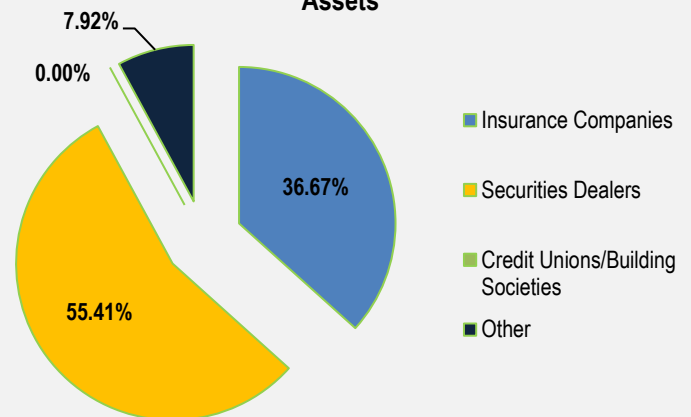


Table 7: Total Assets under Management of Investment Managers

Investment Managers	Number of Entities Sept 2022	Asset Values Sept 2022 (\$'Millions)	Number of Entities Jun 2022	Asset Values Jun 2022 (\$'Millions)	Number of Entities Mar 2022	Asset Values Mar 2022 (\$'Millions)
Life Insurance Companies	2	253,333	2	258,392	2	262,658
Securities Dealers	15	382,827	15	391,107	15	393,031
Credit Unions	2	-	2	-	2	-
Other	6	54,725	6	56,084	6	56,574
Total	25	690,887	25	705,583	25	712,264

RISK OUTLOOK



According to the Statistical Institute of Jamaica (STATIN), real Gross Domestic Product (GDP) for the Jamaican economy has maintained its positive trend, growing by an estimated 5.9% during the September quarter when compared to the corresponding quarter of 2021. The PIOJ has acknowledged that some of the reasons for the increased growth experienced was the removal of the related COVID-19 containment measures globally, higher levels of employment, and increased business and consumer confidence. From the standpoint of the pensions industry, the continued growth in real GDP could have a positive impact on the industry leading to an increased formation of pension plans and pension plan membership within the performing industries, such as Tourism and Manufacturing, and their respective allied services.



The nation's unemployment rate has also continued to exhibit signs of improvement. STATIN reported that the unemployment rate for July 2022 was 6.6% compared to 8.5% for the corresponding quarter of 2021. This was mainly due to the increased employment of female labour in the Real Estate, Other Business Services, Accommodation and Food Services industries. Furthermore, the number of unemployed persons was 89,700, a decrease of 22,800 (20.3%) compared to July 2021. With the continued growth in the labour force, this could translate to the eventual increase in membership and value of the total pension plan assets; where potential membership increases particularly in the growing retirement scheme segment could be realized if disposable income increases also exist.



The Bank of Jamaica (BOJ) estimated that annual point-to-point inflation for the quarter ended September 2022 was 9.26%, signifying a 15.43% decrease when compared to the 10.95% reported for June 2022. Albeit an improvement over the last quarter, the inflation rate continues to linger above the central bank's inflation target band of 4% to 6%. STATIN has stated that inflation for the period continued to be influenced largely by the associated increased point-to-point inflation rate in the Food and Non-Alcoholic Beverages (10.5%), Restaurants and Accommodation Services (19.4%) as well as the Housing, Water, Electricity, Gas and Other Fuels (8.5%) sectors. The price level within the Jamaican economy has also continued to be influenced by the ongoing conflict in Eastern Europe which has affected commodity prices particularly oil and increases in shipment costs and the disruption to the global supply chain, As the BOJ remains steadfast to its mandate of achieving price stability, it continued to increase its policy rate during the quarter; this may have a negative short to medium effect on the real yields achieved by pension plans.



The JSE main index declined in value from 386,327.32 points to 361,691.60 during the quarter ended September 2022. Similarly, there was a decrease in the value of equities within the aggregate private pension investment mix over the quarter which amounted to 5.40%. Stocks and shares continued to be the second largest asset class for the private pensions industry and therefore requires the continued monitoring of price movements in the market as well as sound and comprehensive risk analysis of the companies for which stocks and shares are held, in an attempt to mitigate risks. Also, trustees are expected to continually improve their overall knowledge of the operations of their pension plans while ensuring that they take the necessary steps to meet its overall investment targets.

SUMMARY

Asset values within the Jamaican private pensions industry continued to decline following a 2.08% reduction to \$690.89 million by the end of Q3. This is concomitant with a reduction in the number of plans which reported growth in asset values. While the world continues to fear a global recession, the Jamaican economy has started to slowly rebound from the effects of the pandemic and the conflict in eastern Europe. As at September 2022, the economy experienced growth of 4.3%, which could reflect in equity markets and in turn contribute to improved performance of pension funds. Trustees are reminded to closely monitor plan portfolios to ensure that they are sufficiently diversified and reflective of developments within the investment markets, in an effort to provide the utmost benefit to plan members. The FSC will continue to partner with all industry stakeholders to protect the members and beneficiaries within the Jamaican private pension industry.