

FINANCIAL SERVICES COMMISSION
Private Pension Industry Quarterly Statistics
September 2015

Overview

As at September 30, 2015, there were eight hundred and two (802) pension plans¹ covering approximately ten percent of the employed labour force, with assets totaling \$366.96 billion representing a percent increase over the previous quarter (See Table 1). Plan membership was unchanged for the quarter.

Table 1 : Key Statistics

	September 2015	June 2015	March 2015
Number of Plans	802	802	802
Asset Values (\$'000)	366,962,276	363,068,777	349,561,879
Total Membership	109,984	109,984	110,041

Note: June 2015 has been re-stated

Investment Mix

Direct holdings of securities of governments comprised approximately 37 percent of total investments as at September 30, 2015; this represented a second quarter of marginal reduction in the total quantity held. Investment arrangements represented approximately 31 percent of total investments as shown in Table 2.

Investment arrangements, which include pooled funds and deposit administration contracts, are significantly invested in government securities. This indirect investment in government securities accounts for approximately 57 percent of these investment arrangements as at September 30, 2015; a two percent decrease compared with the previous quarter. The value of the equities within these investment arrangements continue to increase, recording a three percent rise during the quarter and represents 23 percent of the total assets of these investment arrangements. There was significant quarterly growth in commercial paper and corporate bonds of 36 and 40 percent respectively. After the significant reduction in retail repo investments during the previous quarter, there was a reversal as retail repos increased by 14 percent and now account for five percent of the value of these investment arrangements as at September 30, 2015.

The continued robust performance of the stocks listed on the Jamaica Stock Exchange ("JSE"), which experienced an appreciation of 26.16 percent for the calendar year, was partially attributable to the three percent increase in value of the direct holdings of stocks and shares within the investment portfolio of pension plans when compared with the second quarter of 2015. The value of this asset class stood at \$40.86 billion, representing eleven percent of total invested assets.

¹ This number includes pension plans which are active, terminating and those that are inactive.

Bonds and Debentures increased by 15 percent during this quarter continuing the growth experienced in the previous quarter. Investments in repurchase agreements declined by approximately four percent to \$30.96 billion during the quarter. There were significant increases in deposits and leases whilst other investments declined by 15 percent during the review period.

Table 2: Aggregate Investment Mix

Types of Investment	Amount Invested \$'000	% of Total Investments	Amount Invested \$'000	% of Total Investments	Amount Invested \$'000	% of Total Investments
	Sep-15		Jun-15		Mar-15	
Deposits	4,336,946.24	1.19%	3,359,088.32	0.93%	3,628,417.21	1.05%
Commercial Paper	71,928.59	0.02%	31,766.60	0.01%	92,014.33	0.03%
Securities of Governments	135,892,156.04	37.27%	136,425,709.61	37.85%	137,770,995.76	39.70%
Repurchase Agreements	30,962,388.55	8.49%	32,317,386.02	8.97%	33,123,790.82	9.54%
Bonds and Debentures	7,583,060.70	2.08%	6,611,919.91	1.83%	6,267,899.70	1.81%
Mortgage Loans	193,667.36	0.05%	221,330.16	0.06%	251,097.91	0.07%
Other Loans	2,584,166.46	0.71%	2,504,746.45	0.69%	2,235,829.95	0.64%
Promissory Notes	3,115,818.76	0.85%	2,817,607.34	0.78%	2,736,793.00	0.79%
Leases	2,590,559.23	0.71%	1,776,677.95	0.49%	1,780,214.76	0.51%
Stocks and Shares	40,855,300.33	11.20%	39,759,731.42	11.03%	34,481,737.47	9.94%
Real Estate	20,868,202.87	5.72%	20,681,041.70	5.74%	20,094,908.64	5.79%
Investment Arrangements	114,373,003.67	31.37%	112,506,137.16	31.21%	103,341,756.22	29.78%
Derivatives	0.00	0.00%	0.00	0.00%	0.00	0.00%
Other Investments	1,209,345.47	0.33%	1,424,256.01	0.40%	1,266,138.38	0.36%
Total Investments	364,636,544.28	100.00%	360,437,398.65	100.00%	347,071,594.17	100.00%
Other Net Assets	2,325,731.33		2,631,378.57		2,490,284.63	
Total Assets	366,962,275.61		363,068,777.21		349,561,878.80	

Note: June 2015 has been re-stated.

Investment Arrangements describe Investments in Deposit Administration Contracts and Pooled Funds

Active Pension Plans

The number of active pension plans accounted for 51.75 percent of the total private pensions industry. As at September 30, 2015 there were four hundred and fifteen (415) active plans, five less than the previous quarter (See Table 3). Five pension plans wound-up during the quarter which resulted in a reduction in the active membership in private pension arrangements in Jamaica during the quarter.

Table 3: Membership

	September 2015	June 2015	March 2015
Number of Active Plans	415	420	423
Active Membership	102,406	102,515	102,222

Three hundred and eight (308) of the 415 active plans are defined contribution (“DC”) plans. Despite the greater number and larger membership pool of DC plans reported, defined benefit plans accounted for the majority of the pension industry assets (See Table 4).

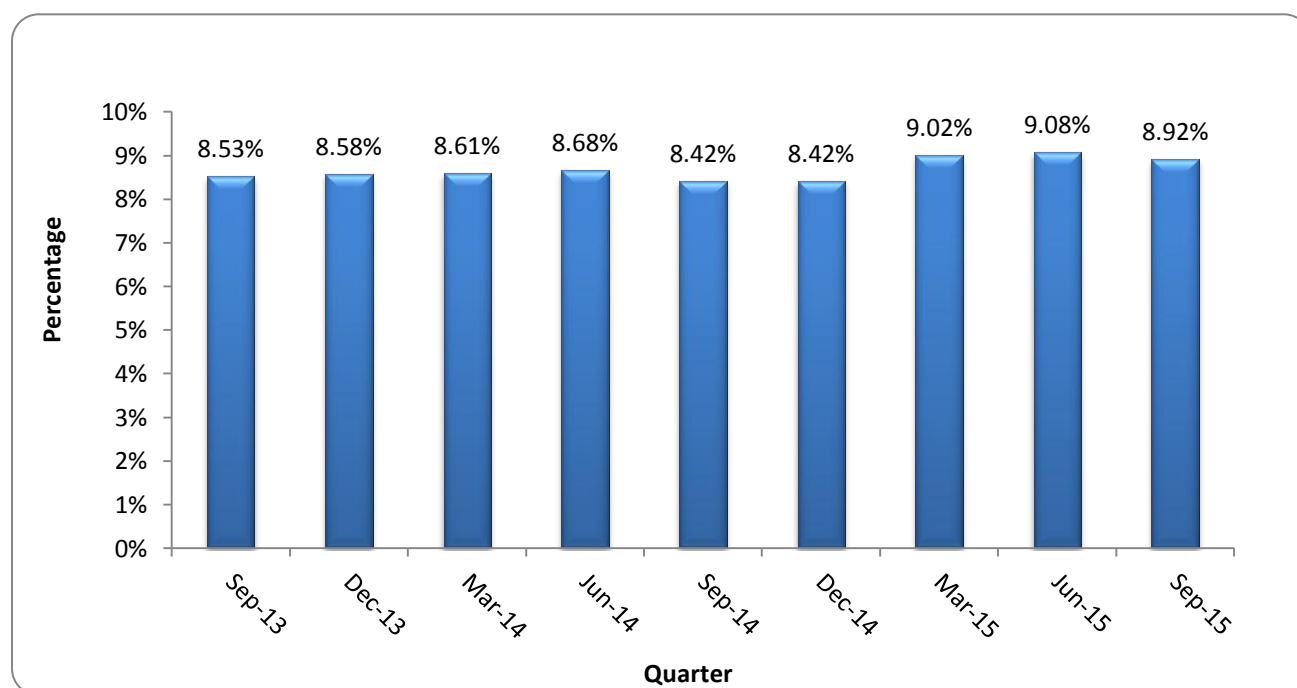
Table 4: Active Pension Plans by Type

	September 2015	June 2015	March 2015
Number of Plans			
Defined Benefit	107	108	110
Defined Contribution	308	312	313
Total Active Plans	415	420	423
Membership			
Defined Benefit	21,907	21,909	22,018
Defined Contribution	80,499	80,606	80,204
Total Membership	102,406	102,515	102,222
Assets Values			
Defined Benefit (\$'000)	232,305,956	230,039,995	220,988,637
Defined Contribution (\$'000)	121,309,679	119,781,895	113,948,939
Total Asset Values (\$'000)	353,615,635	349,821,890	334,937,576

Membership in active pension plans as at September 30, 2015 covered 8.92 percent of the Jamaican employed labour force² a marginal decrease when compared to the June quarter (See chart 1). This is as a result of the reduction in membership in active pension plans and a quarterly increase in the employed labour force.

² The Jamaican employed labour force as at July 31, 2015 was 1,147,500 according to the Statistical Institute of Jamaica (statinja.gov.jm).

Chart 1: Private Pension Coverage as a Percentage of the Employed Labour Force



Active Plans by Type

As illustrated in Table 5, superannuation funds (“funds”) accounted for approximately 97 percent of the number of active plans and 95 percent of total assets. During the review quarter the assets of active retirement schemes (“schemes”) increased by 4.02 percent to \$17.23 billion, relative to a marginal increase recorded by superannuation funds (See Charts 2 & 3). Whilst membership in active funds decreased during the quarter, there was no movement in the membership within the schemes.

Table 5: Active Plans by Type as at September 30, 2015

	Number of Active Plans	Percentage of Plans	Number of Members	Percentage of Membership	Asset Value (\$'000)	Percentage of Asset Value
Retirement Schemes	13	3.13	40,023	39.08	17,231,913	4.87
Superannuation Funds	402	96.87	62,383	60.92	336,383,722	95.13
TOTAL	415	100.00	102,406	100.00	353,615,635	100.00

Chart 2 – Asset Values for Active Superannuation Funds

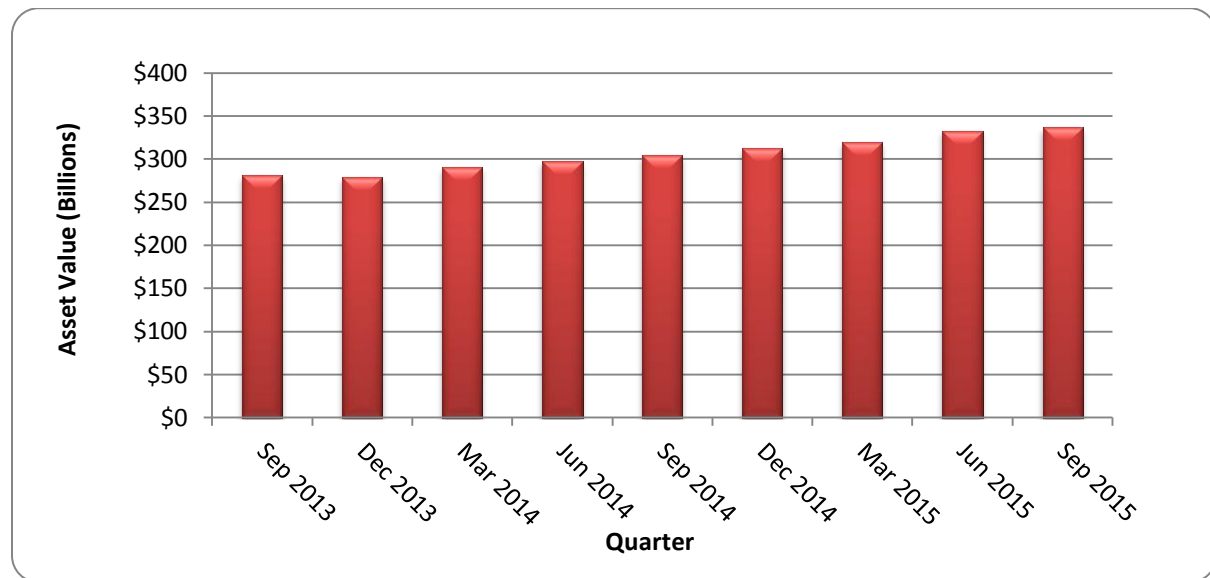
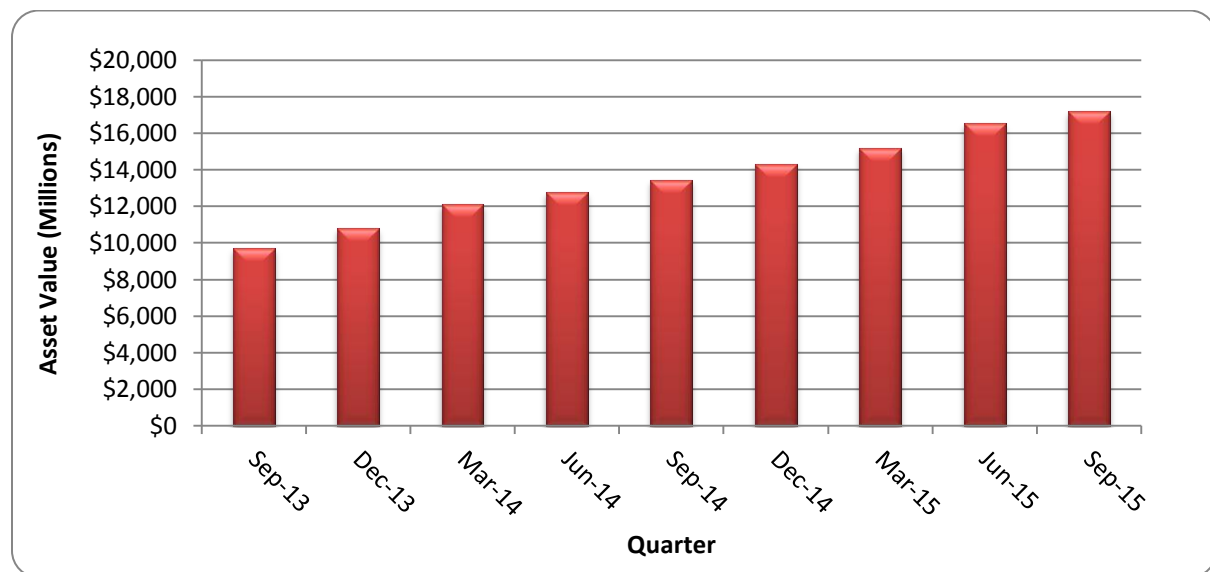


Chart 3 – Asset Values for Active Retirement Schemes



Active Plans by Industry

The Commerce and Finance Industry accounted for 51.56 percent of active members and 40.88 percent of the pension industry assets at September 30, 2015, representing the largest share of active members and pension assets of active plans respectively. The industry segment with the second largest share of the market is the Services

Industry with 20.18 percent of the active members and 16.51 percent of assets of active plans. Charts 4 - 6 illustrate the breakdown of the number of active plans, the membership and the asset values by industry as at September 30, 2015.

Chart 4: Number of Active Plans by Industry

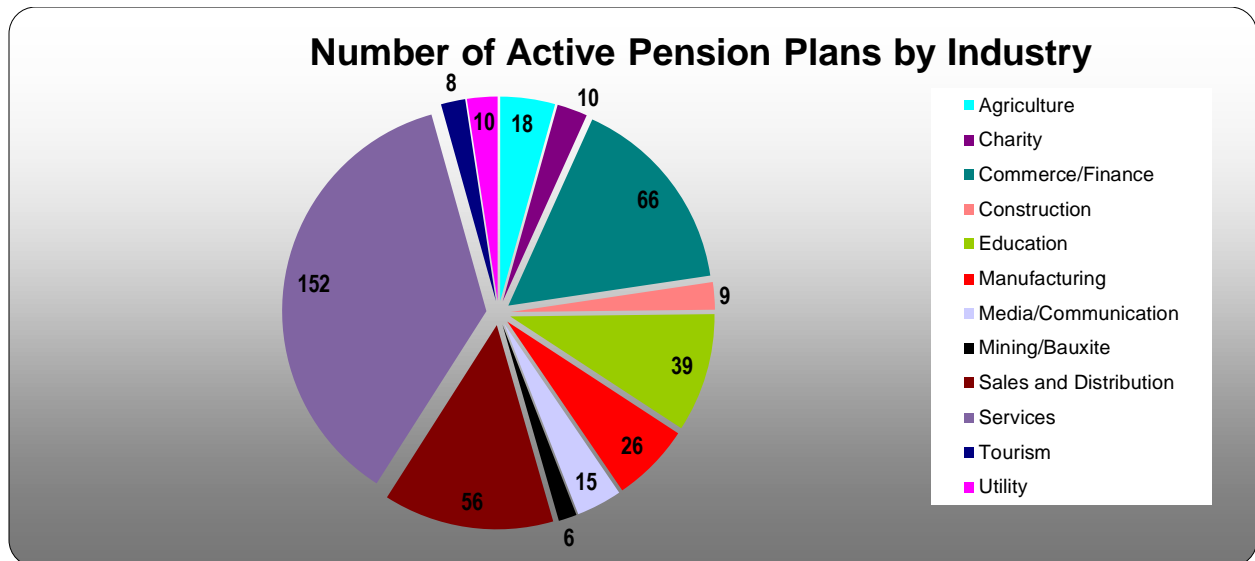


Chart 5: Number of Active Members by Industry

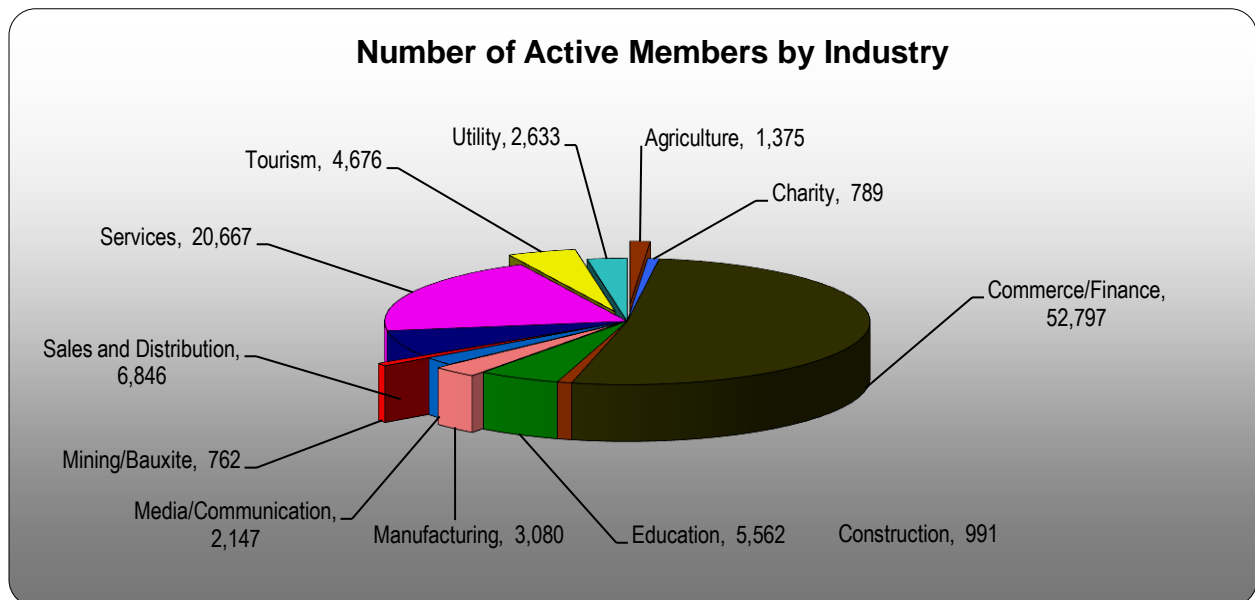
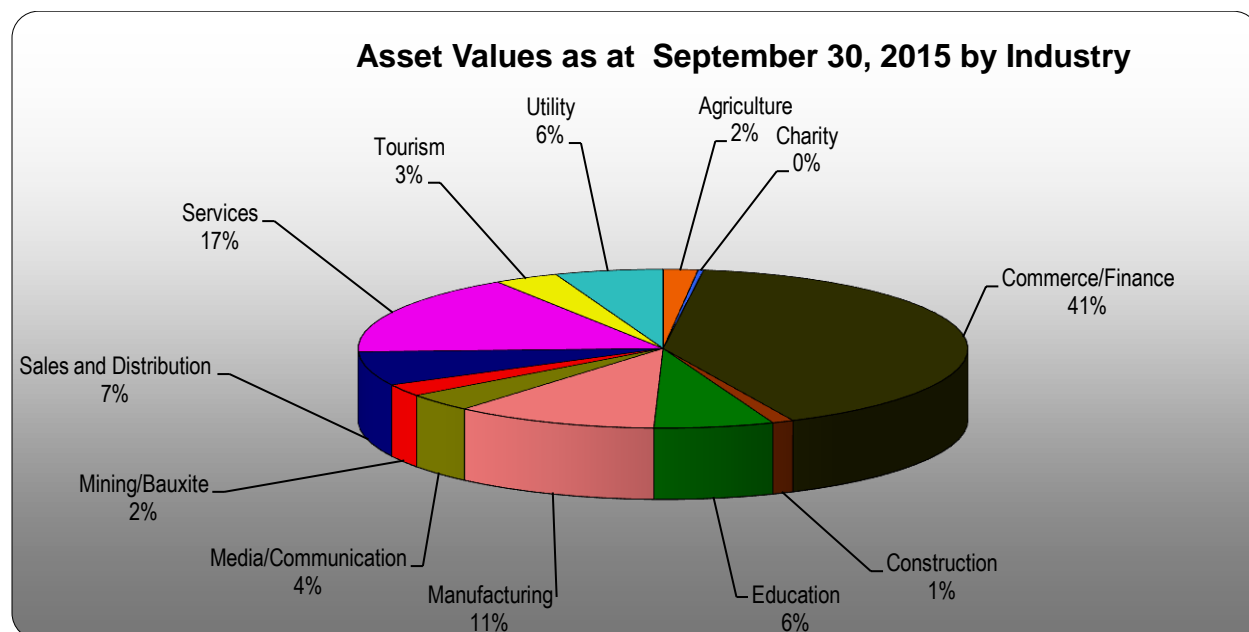


Chart 6: Asset Values by Industry



Solvency of Active Pension Plans

Four hundred and three (403) plans, representing approximately 97 percent of the 415 active plans have submitted solvency data; analysis of the data shows that as at September 30, 2015, approximately 93 percent of all active pension plans, for which data were submitted, were solvent. The data also indicated that, for all pension plans for which data were submitted, 94 percent of defined contribution pension plans were solvent compared to 90 percent of active defined benefit pension plans. In the case of active defined benefit pension plans the sponsors have an obligation to fund the shortfall given the nature of these plans.

Table 6: Solvency Levels of Active Plans as at September 30, 2015

	Number of plans	Solvency Level				% of plans which are solvent
		Less than 100%	Between 100% & 120%	Between 120% & 150%	Greater than 150%	
Defined Benefit	106	11	29	29	37	90
Defined Contribution	297	19	187	69	22	94
Total	403	30	216	98	59	93

Inactive Pension Plans

During the quarter there was no movement in the membership of the inactive plans (See Table 7).

Table 7: Inactive Pension Plans by Type

	September 2015	June 2015	March 2015
Number of Plans			
Defined Benefit	5	5	5
Defined Contribution	14	14	15
Total Inactive Plans	19	19	20
Membership			
Defined Benefit	2,243	2,243	2,243
Defined Contribution	84	84	137
Total Membership	2,327	2,327	2,380
Asset Values			
Defined Benefit (\$'000)	343,806	349,930	346,434
Defined Contribution (\$'000)	53,629	52,504	105,127
Total Asset Values (\$'000)	397,435	402,434	451,561

Terminating Plans

During the September quarter five superannuation funds initiated termination proceedings. The total asset values for the terminating plans stood at \$12.95 billion (See Table 8).

Table 8: Terminating Pension Plans by Type

	September 2015	June 2015	March 2015
Number of Plans			
Defined Benefit	84	83	81
Defined Contribution	284	280	278
Total Terminating Plans	368	363	359
Membership			
Defined Benefit	3,575	3,573	3,888
Defined Contribution	1,676	1,569	1,551
Total Membership	5,251	5,142	5,439
Asset Values			
Defined Benefit (\$'000)	8,468,935	8,444,271	8,179,703
Defined Contribution (\$'000)	4,480,270	4,400,182	5,993,038
Total Asset Values (\$'000)	12,949,205	12,844,453	14,172,741

Investment Managers

There were no new investment managers participating in the private pensions industry as at September 30, 2015. Life insurance companies represent 11.11 percent of the total number of investment managers; however they

continue to account for approximately 51 percent of total private pension assets. Life insurance companies and securities dealers account for 90 percent of the private pension industry assets. Credit unions and building societies with less than one percent of private pension assets accounted for the smallest market share (See Table 9).

Table 9: Total Assets Under Management of Licensed Investment Managers

Investment Managers	Number of Entities Sep 2015	Asset Values Sep 2015 (\$'000)	Number of Entities Jun 2015	Asset Values Jun 2015 (\$'000)	Number of Entities Mar 2015	Asset Values Mar 2015 (\$'000)
Insurance Companies	3	188,947,703	3	185,573,691	3	178,604,481
Securities	16	142,190,884	16	142,061,959	16	136,601,185
Credit Unions/ Building Societies	2	276,245	2	263,294	2	248,678
Other	5	35,547,444	5	34,169,833	5	34,107,535
Total	26	366,962,276	26	363,068,777	26	349,561,879

Risk Outlook

The Jamaican economy grew in real terms by an estimated 1.5 percent during the September 2015 quarter and 12-month inflation stood at 1.8 percent, the lowest rate in 40 years according to Bank of Jamaica ("BOJ"). This has culminated in BOJ lowering interest rates on its 30-day Certificate of Deposits, as well as the rates used when providing liquidity to deposit taking institutions. There was also evidence of falling market rates, inclusive of the Treasury Bill rates, during the quarter.

The private pension industry continues to be stable as the local and global economic challenges appear to be easing. Aggregate direct investment in Government of Jamaica securities has been trending downwards and stood at approximately 37 percent of the total invested assets of the pension industry. This continues to represent the single most significant investment risk exposure for pension plans as interest rates remained relatively low. Nevertheless opportunities exist as BOJ indicated that domestic financing for the government has reduced by 70 percent during the quarter thereby reducing the crowding out effects. With the increased liquidity in the market expected when the first National Debt Exchange ("NDX") payment is made in February 2016, the pension arrangements will be able to further diversify their portfolios thereby mitigating this risk exposure.

The local stock market continued its recent positive out-turn despite the marginal quarterly decline on the main index. Eleven percent of the private pension assets are invested in equities and the continued performance of the local stock market provides opportunities for pension plans which need to diversify their portfolios and reduce counter party risk exposure.

Notwithstanding that the employed labour force expanded by 19,000 persons compared with the previous quarter, the number of Jamaicans participating in private pension arrangements declined during the quarter. As a result, pension coverage at the end of September 2015 declined marginally when compared with the previous quarter. Sponsoring employers cite economic factors and reduction in membership as the main reasons for terminating their pension plans. Some businesses continue to feel the strain of the tight fiscal policies and this poses a risk to the pensions industry. Notwithstanding that there was no growth in the retirement scheme segment during the quarter, it is expected this segment of the pensions market will offset the termination of superannuation funds in the long term.

However, the viability of retirement schemes is dependent on the levels of disposable incomes within the Jamaican economy as well as the employment levels of the Jamaican workforce.

As the FSC continues to monitor and supervise the conduct and governance practices of investment managers and administrators, the trustees and members of funds and schemes are encouraged to be vigilant where disclosure materials are concerned as well as ensuring that the assets are being prudently invested and in accordance with the relevant Statement of Investment Policies and Principles.

Summary

The private pension industry continues to be stable with most economic indicators in the country pointing in the right direction. During the review quarter, the number of active pension plans declined when compared with the June 2015 quarter, as a result of the termination of five plans. The number of Jamaicans participating in private pension arrangements declined during quarter. Conversely, the Jamaican employed workforce grew during the quarter resulting in an reduction in pension coverage.

Despite this, the total assets in the private pensions industry increased during the quarter and the solvency levels of pension plans remained adequate.