FINANCIAL SERVICES COMMISSION

PRIVATE PENSIONS INDUSTRY STATISTICS

2022 REVIEW

In this report:

- Private Pensions Industry Overview
- Investment Mix
- Operating Statistics
- Risk Outlook

OVERVIEW

The aggregate value of assets invested in the Jamaican private pensions industry as at December 31, 2022, was **$703.20 billion**. Though representing a 1.78% increase over the September 2022 quarter (Sep: $690.89B), it signified a 1.42% decrease since December 2021 (Dec: $713.35B).

During the 2022 calendar year, eight (8) pension plans commenced winding-up proceedings. Despite the reduction in active plans, 96% of the remaining active pension plans remained solvent. Additionally, total private pension assets ended the year above pre-pandemic levels (Dec 2019: $700.73B). This outcome was influenced by the gradual increase in plan membership over the four (4) year period (movement from 124,631 to 143,188).

OVERVIEW (cont'd)

Key changes in the industry over the 2022 calendar year:

PRIVATE PENSION ASSETS • -1.42%
2022: $703.20B, 2021: $713.35B

NUMBER OF PLANS[1] REMAINED THE SAME
2022: 815, 2021: 815

NUMBER OF ACTIVE PLANS • -2.15%
2022: 364, 2021: 372

MEMBERSHIP[2] • 2.61%
2022: 145,478, 2021: 141,773

PENSION COVERAGE REMAINED THE SAME
2022: 11.29%, 2021: 11.29%

Over the last five (5) years, the industry assets averaged quarterly and annual growth of 1.78% and 3.47%, respectively. The five (5) year average quarterly and annual growth rates declined by 32% and 45%, respectively, when compared to the five (5) year average as at the year 2021. The reduction in the growth rates was primarily attributable to the downward performance of asset values during the 2022 calendar year.

By the end of the year, membership in active private pension plans grew by 2.70%, however the employed labour force saw a similar increase, thereby resulting in private pension coverage for active plans remaining the same. As at December 31, 2022, pension coverage in active and all plans was 11.29% and 11.33%, respectively.

Figure 1.0: Annual Growth Trend of Total Industry Assets

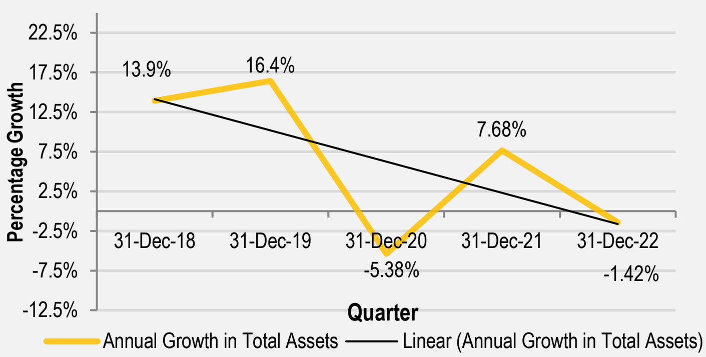


Figure 1.1: Annual Growth Trend in Total Membership of Active Pension Plans

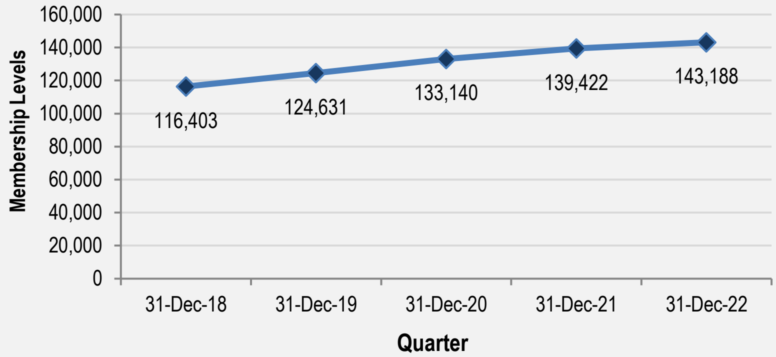
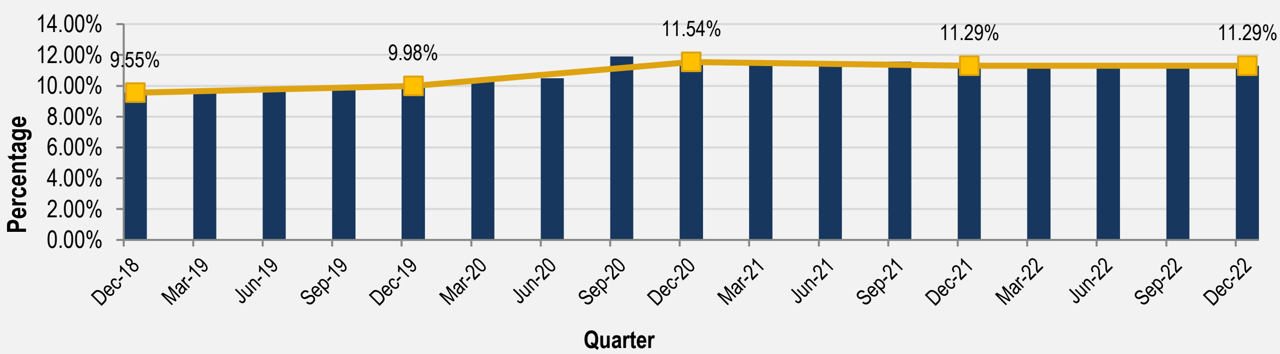


Figure 1.2: Five Year Growth in Pension Coverage in Active Private Pension Plans



[1] This number includes pension plans which are active, terminating, and inactive.
[2] This number represents membership in all plans.

INVESTMENT MIX

Private Pension Assets

Total private pension assets reported a reduction in value for three (3) consecutive quarters of 2022. However, the increase in the final quarter of the period was attributable to an increase in most of the reported asset classes. While asset values were changing, the top three asset classes remained the same with investments in pooled arrangements (39.29% or $274.42 billion) being the largest followed by stocks and shares (21.65% or $151.20 billion) and Government of Jamaica ("GOJ") securities (20.96% or $146.41 billion). Of the three, only investments in pooled arrangements recorded a year- over-year increase (0.32%); stocks and shares and GOJ securities decreased by 4.99% and 3.40% respectively. This comes against the backdrop of declining asset prices and as over the last five (5) years, pooled arrangements have continued to be the primary investment vehicle for pension plans. (See Figure 2.1)

In contrast to the previous year, other loans reported the largest annual decline (92.50%) while promissory notes reported the largest increase (57.98%), primarily due to the reclassification between the two investment classes held within one investment manager's ("IM") portfolio. Commercial paper and repurchase agreements also had notable value declines of 34.14% and 15.13% respectively. The reduction in investments in commercial paper was largely due to IM redirecting funds to other asset classes yielding higher returns. This was also the case for repurchase agreements.

Investment in leases and real estate had annual increases of 10.18% and 8.51% respectively. Moreover, they were among the few investment classes that reflected noticeable increases over the year. Globally, real estate has been one of the best performing asset classes over the period which occurred within the context of them providing greater income and yield opportunities than other asset classes. (See: Figure 2.0 and Table 1)

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

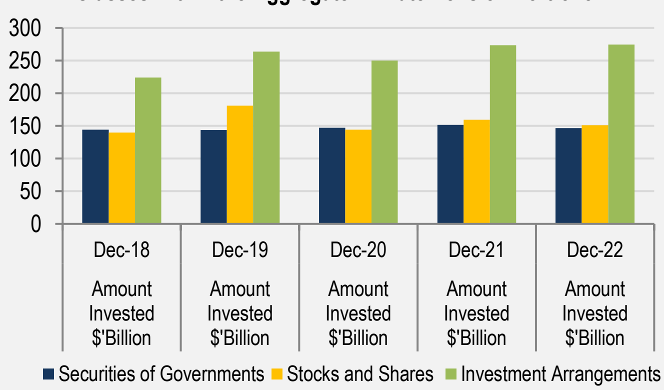
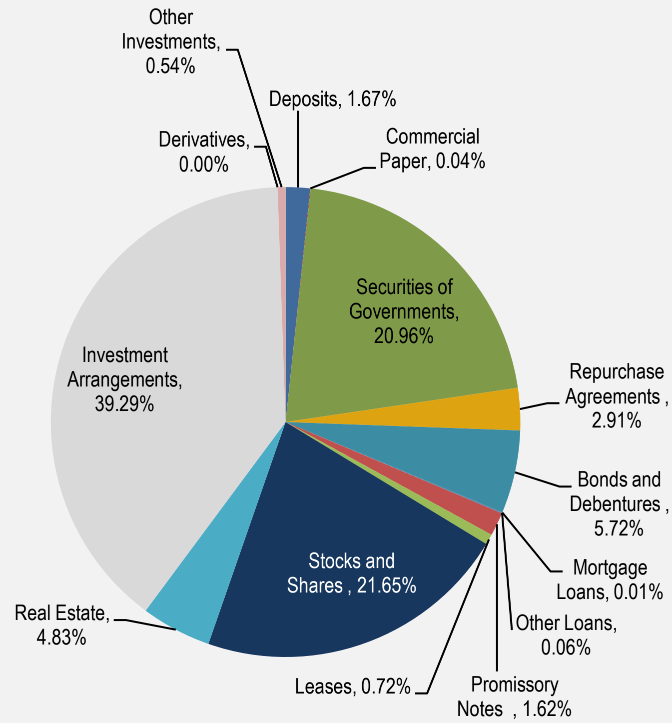


Figure 2.0: Allocation of Total Private Pension Assets as at December 31, 2022



Key changes in the Aggregate Investment Portfolio Mix over the 2022 calendar year:

TOTAL PROMISSORY NOTES • 57.98%
2022: $11.28B, 2021: $7.14B

TOTAL OTHER LOANS• -92.50%
2022: $406.45M, 2021: $5.42B

TOTAL INVESTMENTS IN COMMERCIAL PAPER • -34.14%
2022: $255.95M, 2021: $388.63M

TOTAL INVESTMENTS IN REPURCHASE AGREEMENTS • -15.13%
2022: $20.29B, 2021: $23.91B

Table 1: Aggregate Investment Portfolio Mix

Types of Investment	Amount Invested $' Millions	% Of Total Investments	Amount Invested $' Millions	% Of Total Investments	Amount Invested $' Millions	% Of Total Investments	Quarter over Quarter Growth in Asset Classes	Year over Year Growth in Asset Classes
	Dec-22		Sep-22		Dec-21			
Deposits	11,656.40	1.67%	11,054.54	1.60%	10,531.97	1.47%	5.44%	10.68%
Commercial Paper	255.95	0.04%	254.23	0.04%	388.63	0.05%	0.68%	-34.14%
Securities of Governments	146,409.60	20.96%	141,635.64	20.53%	151,562.81	21.21%	3.37%	-3.40%
Repurchase Agreements	20,292.38	2.91%	23,681.16	3.43%	23,911.06	3.35%	-14.3%	-15.13%
Bonds and Debentures	39,939.90	5.72%	38,179.09	5.53%	43,425.75	6.08%	4.61%	-8.03%
Mortgage Loans	38.32	0.01%	39.03	0.01%	41.06	0.01%	-1.82%	-6.68%
Other Loans	406.45	0.06%	466.48	0.07%	5,422.92	0.76%	-12.87%	-92.50%
Promissory Notes	11,280.76	1.62%	12,848.72	1.86%	7,140.41	1.00%	-12.20%	57.98%
Leases	5,012.11	0.72%	4,975.07	0.72%	4,549.04	0.64%	0.74%	10.18%
Stocks and Shares	151,202.14	21.65%	152,138.62	22.05%	159,146.10	22.27%	-0.62%	-4.99%
Real Estate	33,764.80	4.83%	31,613.59	4.58%	31,116.61	4.35%	6.80%	8.51%
Investment Arrangements	274,420.47	39.29%	270,152.19	39.15%	273,536.75	38.28%	1.58%	0.32%
Derivatives	0.00	0.00%	0.00	0.00%	0.00	0.00%	0.00%	0.00%
Other Investments	3,799.81	0.54%	2,976.63	0.43%	3,872.18	0.54%	27.65%	-1.87%
Total Investments	**698,479.08**	**100.00%**	**690,014.99**	**100.00%**	**714,645.29**	**100.00%**	**1.23%**	**-2.26%**
Other Net Assets	4,722.95		872.38		-1,293.99		441.39%	-464.99%
Total Assets	**703,202.03**		**690,887.37**		**713,351.30**		**1.78%**	**-1.42%**

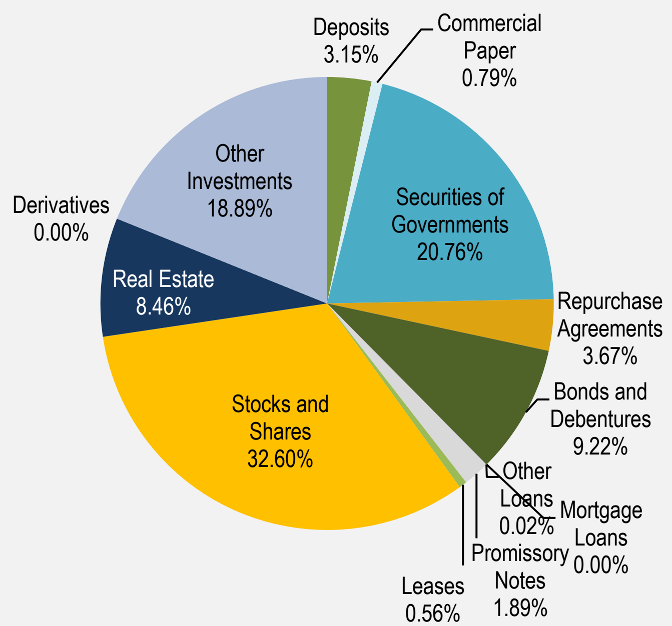
Pooled Investment Arrangements ("PIAs")

As at December 31, 2022, PIA portfolios, which consist of Type I and Type II Pooled Funds and Deposit Administration funds, experienced a marginal increase of 0.32%. The mains drivers of this growth were investments in promissory notes and leases and there was a significant increase in the amount of cash and near cash items within these PIA. Notwithstanding, the majority of the asset classes reporting substantial increases accounted for 18.53% of the value of the PIA portfolio.

Deposits as well as indirect investments in promissory notes reported the largest increases during the year. The value of deposits increased by 39.51% to $8.43 billion as operators of PIAs have increased their holdings of liquid assets for reinvestment in a market where there is a paucity of investment assets, or to meet the liquidity needs of plans under management. The stock of promissory notes increased by 47.57% to $5.05 billion which was primarily due to the increased allocation of funds by one IM.

The composition of the top three (3) assets that accounted for approximately 72% of the PIA portfolio remained the same as the previous year. These investment classes were stocks and shares (32.60% or $87.23 billion), GOJ securities (20.76% or $55.55 billion) and other investments[3] (18.89% or $50.56 billion). These asset classes experienced mixed fortunes within the PIA during the year ranging from negative real return to negative returns and contribute significantly to the anaemic growth recorded by PIAs. (See Figures 2.2 and 2.3)

Figure 2.2: Allocation of Pension Assets in Pooled Investment Arrangements as at December 31, 2022



[3] This primarily consists of collective investment schemes.

As at the end of 2022, bonds and debentures, mortgage loans, and stocks and shares saw the largest annual reductions of 5.75%, 6.52% and 6.40% respectively. The reduction in stock and shares is concomitant with the overall volatility within the Jamaican stock market, rising inflation and rising interest rates which have led to lower asset prices. (See Table 2)

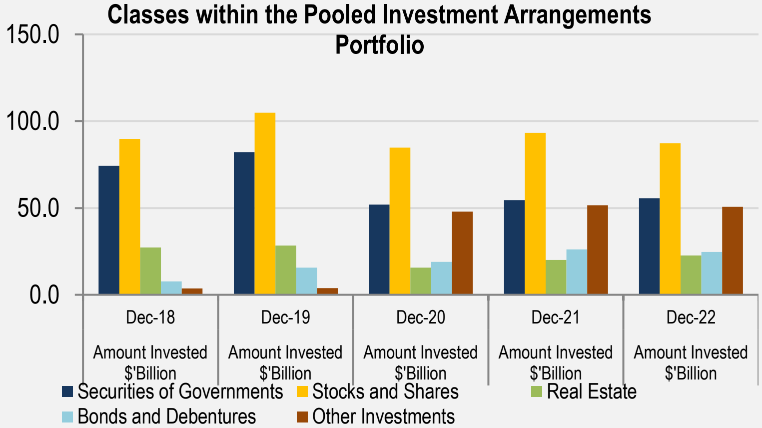


Figure 2.3: Five Year Growth of the Largest Asset Classes within the Pooled Investment Arrangements Portfolio

Key changes in the PIA over the 2022 calendar year:

INDIRECT INVESTMENTS IN DEPOSITS • 39.51%
2022: $8.43B, 2021: $6.04B

INDIRECT INVESTMENTS IN PROMISSORY NOTES • 47.57%
2022: $5.05B, 2021: $3.42B

INDIRECT INVESTMENTS IN LEASES • 31.59%
2022: $1.50B, 2021: $1.14B

INDIRECT INVESTMENTS IN STOCKS AND SHARES • -6.40%
2022: $87.23B, 2021: $93.19B

Table 2: Pooled Investment Arrangement Portfolio Mix

Types of Investment	Amount Invested $' Millions	% Of Total Investments	Amount Invested $' Millions	% Of Total Investments	Amount Invested $' Millions	% Of Total Investments	Quarter over Quarter Growth in PIAs	Year over Year Growth in PIAs
	Dec-22		Sep-22		Dec-21			
Deposits	8,430.20	3.15%	8,294.45	3.12%	6,042.92	2.26%	1.64%	39.51%
Commercial Paper	2,104.13	0.79%	4,502.39	1.69%	1,924.61	0.72%	-53.27%	9.33%
Securities of Governments	55,552.91	20.76%	53,995.84	20.31%	54,542.47	20.43%	2.88%	1.85%
Repurchase Agreements	9,809.66	3.67%	9,381.47	3.53%	8,846.94	3.31%	4.56%	10.88%
Bonds and Debentures	24,681.80	9.22%	22,949.63	8.63%	26,186.97	9.81%	7.55%	-5.75%
Mortgage	1.05	0.00%	1.06	0.00%	1.12	0.00%	-1.69%	-6.52%
Other Loans	52.04	0.02%	104.11	0.04%	50.00	0.02%	-50.01%	4.09%
Promissory Notes	5,052.66	1.89%	5,215.86	1.96%	3,423.86	1.28%	-3.13%	47.57%
Leases	1,505.42	0.56%	1,581.89	0.59%	1,144.04	0.43%	-4.83%	31.59%
Stocks and Shares	87,234.54	32.60%	87,018.70	32.72%	93,194.60	34.91%	0.25%	-6.40%
Real Estate	22,647.15	8.46%	22,444.27	8.44%	20,038.59	7.51%	0.90%	13.02%
Other Investments	50,556.92	18.89%	50,432.59	18.97%	51,591.75	19.32%	0.25%	-2.01%
Total Pooled Investments[4]	**267,628.48**	**100.00%**	**265,922.27**	**100.00%**	**266,987.86**	**100.00%**	**0.64%**	**0.24%**
Other Net Assets	1,066.67		897.83		1,136.78		18.81%	-6.17%
Other Investment Arrangements	5,725.31		3,332.09		5,412.11		71.82%	5.79%
Total Pooled Assets	**274,420.47**		**270,152.19**		**273,536.75**		**1.58%**	**0.32%**

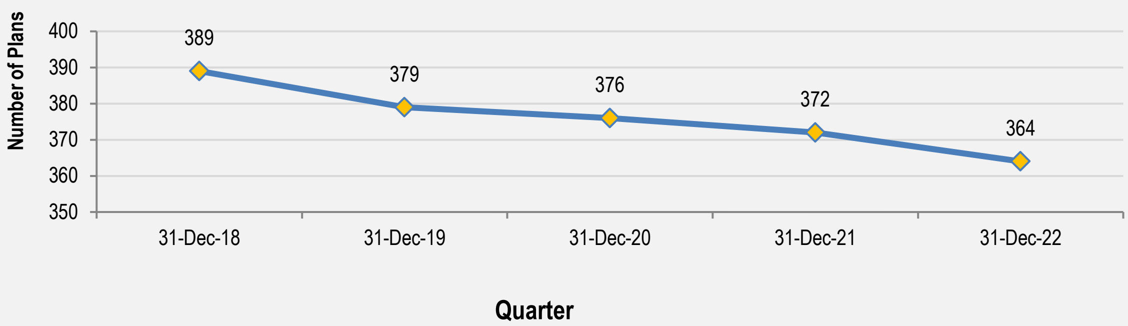
[4] Total Pooled Investments describes Type I Pooled Funds and some Deposit Administration Funds.

OPERATING STATISTICS

Active Pension Plans

The 2022 calendar year ended with 364 active pension plans operating in the Jamaican private pension industry, representing a decrease of 2.15% for the corresponding one-year period. Though the assets of active plans fell in value by 1.36% over the year ($704.26 billion to $694.65 billion), active private pension plans continued to hold approximately 99% of the industry's total assets. (See: Figure 3.0 and Table 3).

Figure 3.0: Growth Trend - Number of Active Pension Plans



Active Plans by Type

Defined Benefit vs. Defined Contribution

Of the eight (8) plans terminating during the year, two (2) were Traditional Defined Benefit ("TDB")[5] plans, while the remaining six (6) were Defined Contribution ("DC") plans. Despite the reduction in the number of DC plans, assets in DC plans grew by 2.83% over the year and continued to account for the majority of the active pension plans in the industry (approximately 70%). Additionally, the reduction in the asset values of active plans was primarily attributable to the 3.99% decline in the value of assets held by TDB plans which accounted for approximately 57% of active plan assets.

Total active plan membership grew by 2.70% during the year from 139,422 to 143,188, with DC plans experiencing the largest individual increase of 4.10% in membership. Hybrid Defined Benefit ("HDB")[6] plans continued to account for the second largest membership, notwithstanding only representing 7% of active pension plans. Finally, Mixed Defined Benefit ("MDB")[7] plans have been the least employed benefit structure, claiming less than 0.5% of membership and 1.3% of assets in active plans. (See Table 3)

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[5] TDB - A DB plan where benefits are linked through a formula to the members' wages or salaries, length of employment, or other factors.
[6] 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.

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

Table 3: Active Pension Plans by Benefit Type

	Dec 2022	Sep 2022	Dec 2021
Number of Plans			
Traditional Defined Benefit	82	84	84
Mixed Defined Benefit	4	4	4
Hybrid Defined Benefit	25	25	25
Defined Contribution	253	255	259
Total Active Plans	**364**	**368**	**372**
Membership			
Traditional Defined Benefit	19,226	19,312	19,212
Mixed Defined Benefit	709	723	696
Hybrid Defined Benefit	20,681	20,685	20,985
Defined Contribution	102,572	100,930	98,529
Total Membership	**143,188**	**141,650**	**139,422**
Asset Values			
Traditional Defined Benefit ($' Millions)	395,004	391,526	411,411
Mixed Defined Benefit ($' Millions)	8,550	8,454	8,461
Hybrid Defined Benefit ($' Millions)	68,378	65,654	67, 554
Defined Contribution ($' Millions)	222,717	217,491	216, 830
Total Asset Values ($' Millions)	**694,650**	**683,125**	**704, 256**

Superannuation Funds vs. Retirement Schemes

All plan terminations during the year were superannuation funds ("SFs"), as the number of retirement schemes ("RS") remained at thirteen (13). Despite the decrease in SFs, the total number of members enrolled in SFs over the period increased by 0.74% from 68,636 to 69,147. Consistent with the previous year, the rate of member enrollment in RS (4.59%) was higher than the rate for SFs, resulting in total active membership in RS remaining above the membership in SFs. Despite active membership in RS being larger over the year, SFs kept the lion's share of the market, accounting for approximately 91% of private pension assets, even with enduring a marginal decrease of 2.02% in the value of assets over the year ($644.85B to $631.81B). RS saw growth in asset value of 9.05% (upwards from 8.44%) or $62.84B (upwards from $59.41B), respectively, over the year. For the past five (5) years, SFs and RS saw average annual growth in assets of 4.13% and 7.05% respectively. (See: Figures 3.1 to 3.5)

Figure 3.1: Number of Superannuation Funds vs Retirement Schemes

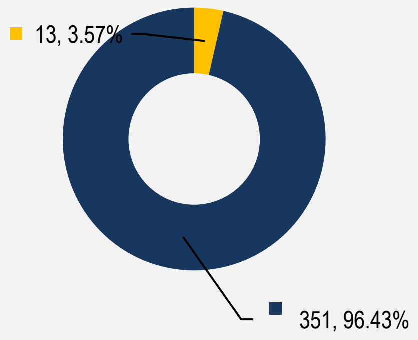


Figure 3.2: Number of Members in Superannuation Funds and Retirement Schemes

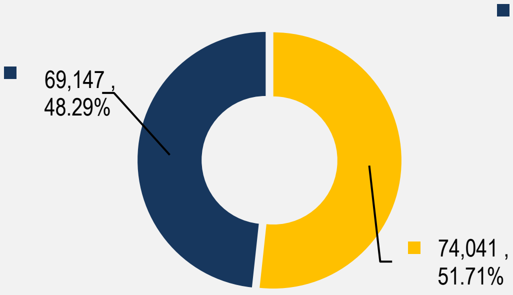
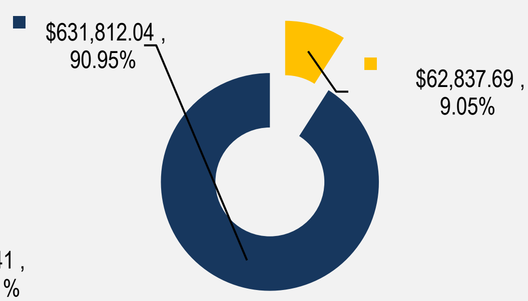


Figure 3.3: Assets in Superannuation Funds vs Retirement Schemes ($'Millions)



Retirement Schemes Superannuation Funds

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

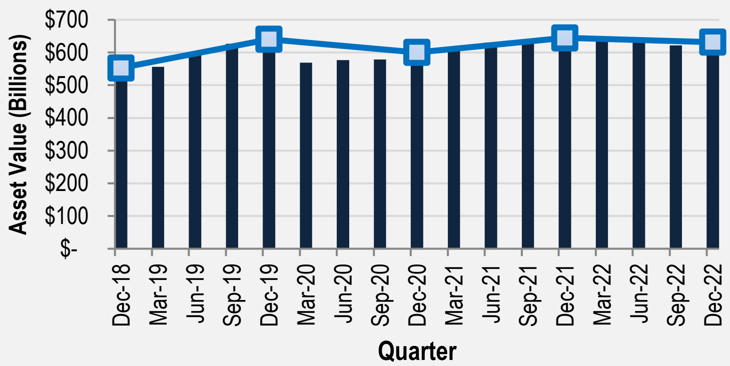
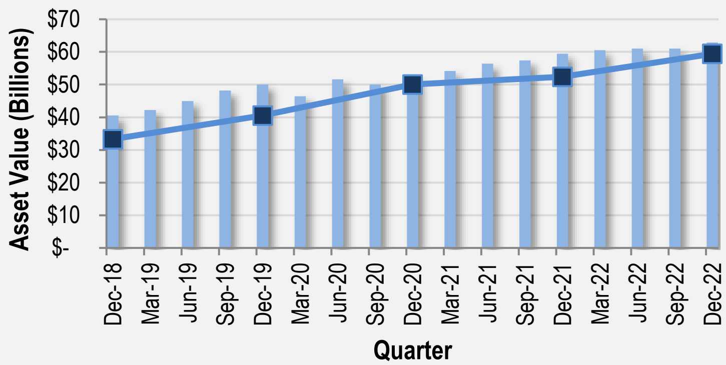


Figure 3.5: Five Year Growth in Asset Values for Retirement Schemes



Active Superannuation Funds by Industry

As at December 2022, the number of active SFs amounted to 351 which signified a decrease of 2.23% over the year. Both the Sales and Distribution industry and the Services industry accounted for the largest reductions in active SFs over the period, totaling three (3) plans each. The remaining two (2) reductions were shared by the Manufacturing and Media/Communication industries. The services industry continued to comprise the majority of the active SFs within the industry (108 plans or 22,027 members) while Commerce/Finance remained the industry with the largest portion of private pension assets (37.78%).

Total asset values for all active SFs across the various industries grew at a rate 5.68% on average over the last five (5) years. Moreover, plans within the tourism industry accounted for the largest annual growth (3.52%) in assets while plans for charitable organizations accounted for the largest reduction (-4.56%). Conversely, pension plans within the Tourism industry reported the largest annual reduction (5.33%) in membership while plans within the Education sector saw the largest increase (5.20%) in membership. (See: Figures 3.6 to 3.8).

Figure 3.6: Percentage of Active Funds by Industry

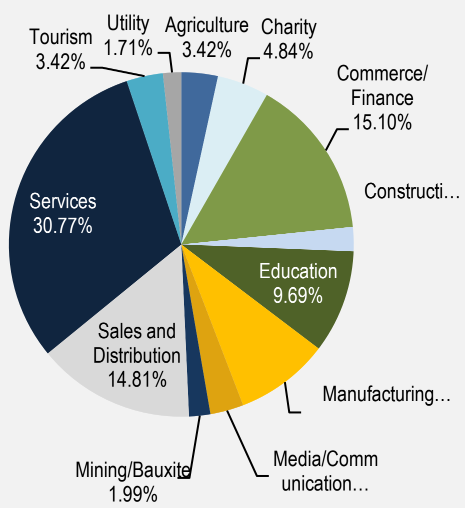


Figure 3.7: Active Membership in Funds by Industry

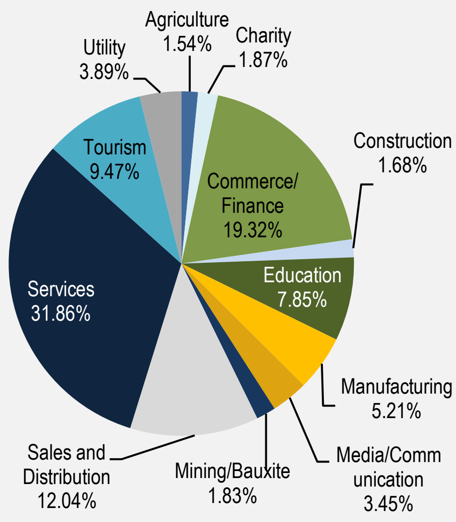
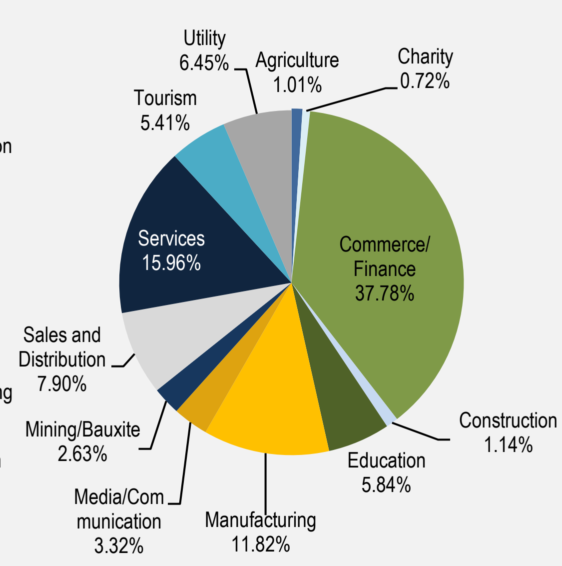


Figure 3.8: Asset Values for Funds by Industry



Solvency of Active Pension Plans

As at December 31, 2022, the FSC received solvency data for 349 plans, consisting of 254 DC plans, nine (9) HDB plans, 82 TDB plans and four (4) MDB plans. Of the 349, 96% or 336 of those plans were solvent similar to the previous year. Despite the percentage of solvent plans being the same, the FSC received solvency data for less plans which was largely due to some plans initiating wind-up proceedings during the period.

Of the 336 solvent plans, 211 (62.80%) reported solvency levels between 100% and 120%, four (4) more plans than reported as at December 2021. Conversely, the number of plans with solvency levels above 120% dropped from 136 to 125. Just as in previous periods, DC plans accounted for more than 70% of solvent plans, followed by TDB plans that accounted for approximately 24%. Notably, an additional pension plan reported insolvency during the period but a previously insolvent plan improved its solvency position, resulting in no net change and the year ending with 13 insolvent plans. The FSC continues to be in constant dialogue with the trustees and administrators discussing strategies aimed at improving solvency positions. (See Table 4).

To avoid insolvency, the trustees and sponsors are reminded of their fiduciary duty to monitor their plans' financial health whether by constantly reviewing the asset allocation and investment strategies of the plan's portfolios or ensuring proper remittance of contributions to increase and maintain the assets available for members' benefits.

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	40	0	32	6	2	100.00%
	HDB	2	0	2	0	0	100.00%
	TDB	14	1	4	2	7	92.86%
	MDB	0	0	0	0	0	0.00%
	Total	**56**	**1**	**38**	**8**	**9**	**98.21%**
2020	DC	79	3	55	18	3	96.20%
	HDB	3	1	2	0	0	66.67%
	TDB	24	1	7	7	9	95.83%
	MDB	2	0	1	1	0	100.00%
	Total	**108**	**5**	**65**	**26**	**12**	**95.37%**
2019 and earlier	DC	132	5	91	25	11	96.21%
	HDB	4	0	4	0	0	100.00%
	TDB	44	1	9	15	19	97.73%
	MDB	2	1	1	0	0	0.00%
	Total	**182**	**7**	**105**	**40**	**30**	**96.15%**
OVERALL		**349**	**13**	**211**	**74**	**51**	**96.28%**

Inactive and Terminating Pension Plans

There were 16 inactive plans in the industry by the close of 2022, one less compared to the previous year. Total assets under management for inactive plans declined by $38.19 million or 13.21% to $250.91M, due to the termination of one inactive plan and a reduction in asset values of nine (9) plans. For the past five (5) years, inactive plans have seen an average annual growth of 8.43% in assets. Plan membership in inactive plans declined by 0.93% from 1,724 to 1,708, a change which was solely attributed to the DB plan which terminated. Notwithstanding this, inactive DB plans still accounted for the significant portion of members (96.9%) and asset values (75%).

By December 31, 2022, the number of terminating plans grew by 2.11% from 426 to 435, mainly due to cessation of contributions by the sponsors that cited financial difficulties/high administrative cost as reasons for winding-up their pension plans. As the trustees of winding-up pension plans continue to pay out benefits to the members and terminate their legal obligations, the total membership and asset values of these plans declined by 7.18% and 5.20%, respectively. Consequently, the number of terminating plans accounted for 53.37% of pension plans in the industry, but $7.69 billion or 1.09% of total assets. Also, the asset value of terminating plans has declined by 1.26% on average annually over the past five (5) years. (See: Figures 3.9 and 3.10, Tables 5 and 6).

Figure 3.9: Growth Trend of Assets in Inactive Plans

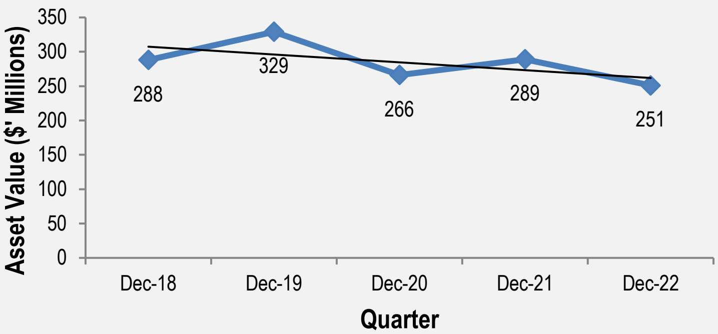


Figure 3.10: Growth Trend of Assets in Terminating Plans

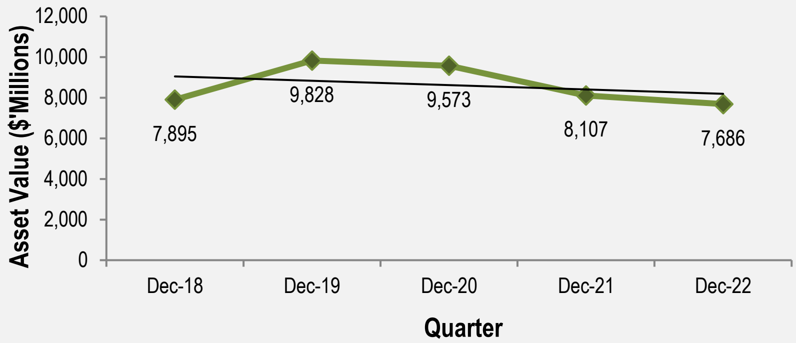


Table 5: Inactive Pension Plans by Benefit Type

	Dec-22	Sep-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	1668
Defined Contribution	53	53	56
Total Membership	**1,708**	**1,708**	**1,724**
Asset Values			
Defined Benefit ($' Mil)	186	184	223
Defined Contribution ($' Mil)	65	64	66
Total Asset Values ($' Mil)	**248**	**248**	**289**

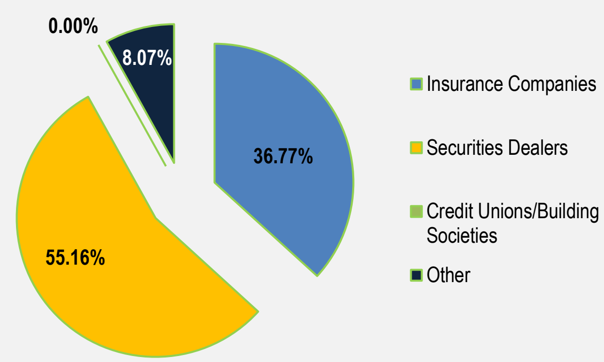
Table 6: Terminating Pension Plans by Benefit Type

	Dec-22	Sep-22	Dec-21
Number of Plans			
Defined Benefit	105	103	102
Defined Contribution	330	328	324
Total Terminating Plans	**435**	**431**	**426**
Membership			
Defined Benefit	200	129	98
Defined Contribution	382	335	529
Total Membership	**582**	**464**	**627**
Asset Values			
Defined Benefit ($' Mil)	4,259	3,578	4471
Defined Contribution ($' Mil)	3,426	3,318	3,636
Total Asset Values ($' Mil)	**7,686**	**6,897**	**8,107**

Investment Managers

For the 2022 calendar year, there was no change in the twenty-five (25) IMs. Securities Dealers ("SD"), despite experiencing a 0.94% fall in the value of FUM, continued to account for the largest portion of the industry's assets (55.16%), followed by Life Insurance Companies ("LICs"), managing 36.77%. FUM of Other IMs which increased by 1.41% or $788.17 million, showed the only growth in asset value over the period. FUM by LICs endured the largest percentage reduction in asset value of 2.73%, and nominal reduction of $7.26 billion. This was partially attributable to a transfer of assets to a SD for one pension plan. (See Figure 3.11 and Table 7)

Figure 3.11 : Investment Managers' Share of Market Assets



Investment Managers	Number of Entities Dec 2022	Asset Values Dec 2022 ($'Millions)	Number of Entities Sep 2022	Asset Values Sep 2022 ($'Millions)	Number of Entities Dec 2021	Asset Values Dec 2021 ($'Millions)	Year over Year Growth in Assets
Insurance Companies	2	258,543.19	2	253,333.91	2	265,805.53	-2.73%
Securities Dealers	15	387,877.67	15	382,827.88	15	391,550.93	-0.94%
Credit Unions	2	-	2	-	2	-	-
Other	6	56,781.18	6	54,725.57	6	55,993.01	1.41%
Total	**25**	**703,202.04**	**25**	**690,887.37**	**25**	**713,349.47**	**-1.42%**

Table 7: Total Funds Under Management of Investment Managers

RISK OUTLOOK

The Planning Institute of Jamaica ("PIOJ") reported growth of 3.4% within the Jamaican economy during the period of October to December 2022. Throughout the 2022 calendar year, the Jamaican economy has consistently reported positive economic growth and is also expected to continue on this trend in the periods to come as according to the PIOJ, GDP is expected to grow within a range of 4% to 6% for FY2022/23.The continuous improvement in GDP performance over the period is reflective of the overall growth in Jamaica's main income providing sectors such as tourism , agriculture, transport, communication and construction. As these sectors continue to grow it is expected that employment will also increase, which could lead to increased membership and pension coverage, and by extension, increased private pension assets.

As at December 2022, the annual point-to-point inflation was 9.4% which was within the range of 9.5% to 10.5% expected by the Bank of Jamaica ("BOJ"). Compared to the 10.3% reported in November 2022, inflation has been trending downwards and is reflected in the reduction of consumer goods. At the onset of 2022, inflation rates as high as 11.8% were reported and the BOJ intervened by increasing policy rates. The BOJ has not increased interest rates since November 2022 and as at February 2023 the annual point to point inflation recorded was 7.80%. Based on the foregoing, it is expected that the improvements will be reflected in the capital markets and in turn improve the performance of pension funds.

Throughout the year, there were heightened levels of uncertainty within the equity market due to rising inflation and interest rates. This was directly reflected in the performance of the JSE Main Index as it declined in value from 401,660.14 points as at January 1, 2022 to 355,896.94 points as at December 30, 2022. Concomitantly, total stocks and shares within the aggregate private pension portfolio reported an annual reduction of 4.99%. As a result, trustees and agents of plans with equity investments are encouraged to constantly monitor the plans' portfolios and rebalance where necessary in order to keep up with market trends so as to provide the utmost benefits for members.

Globally, there have been discussions of the possibility of a recession in the near future as the leading economies of the world have reported reduction in GDP, increasing levels of unemployment and increased volatility within capital markets. According to the World Bank Global, growth is slowing sharply with worldwide economic output projected to be just 1.7% as at 2023. They have also issued warnings that the economic downturn could be widespread and any adverse developments risk pushing the global economy into recession. While the Jamaican economy has not shown any signs of budding recession, trustees are encouraged to develop and execute investment strategies that will mitigate the effects of any form of possible economic downturn.

SUMMARY

While the total number of active plans within the Jamaican private pensions industry continued on its downward trend, and asset values of active plans experienced a reduction over the year, the industry has been resilient, as evidenced by the 1.78% or J$12.31 billion growth in asset value over the December 2022 quarter as well as the 2.7% or 3,766 increase in plan membership over the year.

The FSC continues to implore pension trustees and agents to remain vigilant and provide proper oversight of plan assets and operations, as the possibility of recession looms globally, and urges fund managers and administrators to ensure that due diligence is practiced when managing pension plans. At a time when pension beneficiaries, especially for those approaching retirement, are threatened by these global developments, responsible practices, improved governance, and effective risk management are particularly crucial. The FSC, in partnership with all industry stakeholders and through active monitoring and supervision of the developments within the Jamaican private pensions industry, will continue to fulfil its mandate of promoting integrity within the industry, and by extension Jamaica's financial sector.