

PRIVATE PENSIONS INDUSTRY STATISTICS

SEPTEMBER
2023

OVERVIEW

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As of September 30, 2023, the Jamaican private pensions industry sustained its trend of gradual growth observed in prior quarters. The total value of assets invested in this sector increased modestly by 1.25%, reaching **\$722.74 billion**. This figure represents the culmination of the largest asset value reported for the industry and signifies the most substantial percentage growth since the December 2022 quarter. This growth is attributed to the 68.71% or 560 pension plans that reported increased asset values, marking an increase of 102 plans compared to the previous quarter (See Figure 1.0). Approximately 95% of these plans reported growth up to 0.05%, contributing significantly to the overall increase. In the face of adverse effects stemming from ongoing global wars, unfavourable weather events, and persistently low economic growth rates at both local and global levels, the Jamaican pension industry has showcased remarkable resilience.

OVERVIEW (cont'd)

Key changes over the September 2023 quarter:

PRIVATE PENSION ASSETS • 1.25%
SEP 2023: **\$722.74B**, JUN 2023: **\$713.80B**

MEMBERSHIP¹
SEP 2023: **154,411**, JUN 2023: **154,411**

TOTAL NUMBER OF PLANS²
SEP 2023: **815**, JUN 2023: **815**

TOTAL PENSION COVERAGE³
SEP 2023: **11.74%**, JUN 2023: **11.74%**

NUMBER OF PLANS WITH ASSET GROWTH
• **22.27%**
SEP 2023: **560**, JUN 2023: **458**

Plan membership remained unchanged for the September quarter, as such total and active private pension coverage remained at 11.74% and 11.72% respectively during the quarter, with plan membership which remained unchanged for the September quarter (See Fig. 1.2 and 1.3).

The industry has seen average quarterly growth of 1.32% in assets over the past five (5) years. (See Figure 1.1).

Figure 1.0: Quarterly Returns Reported for Pension Plans

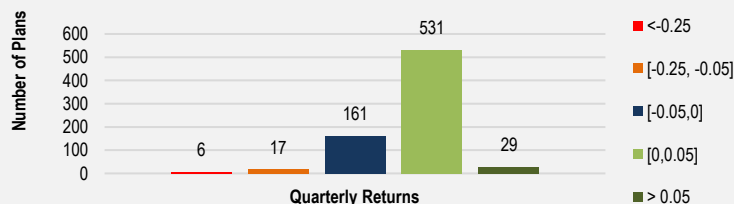


Figure 1.1: Growth Trend of Total Industry Assets

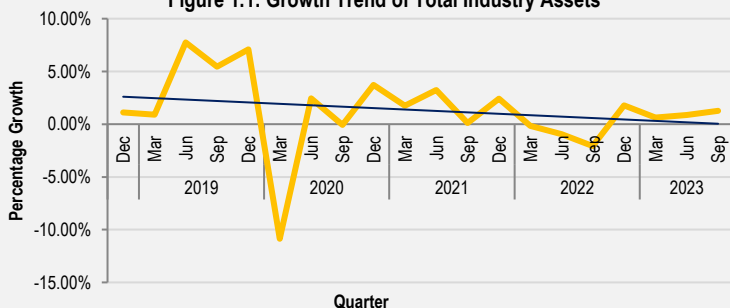


Figure 1.2: Active Pension Coverage in the Jamaican Private Pensions Industry

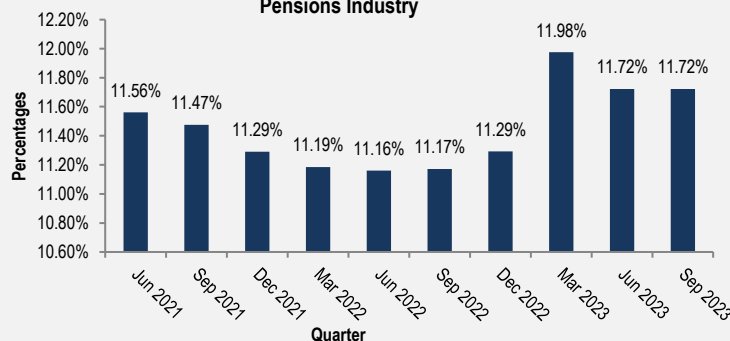
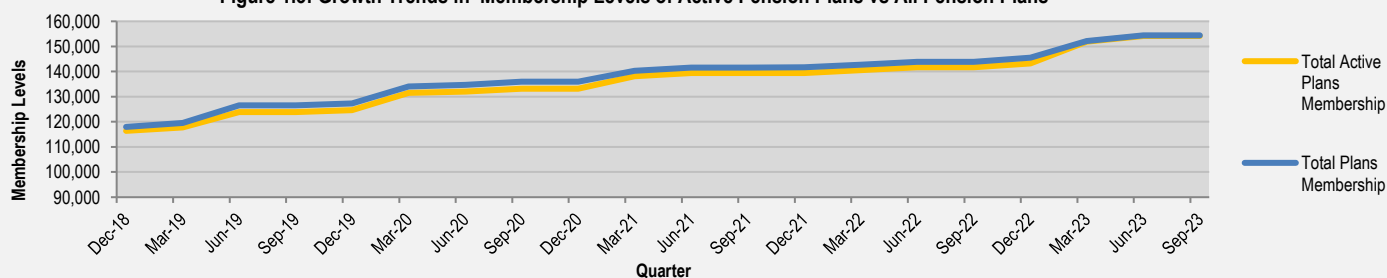


Figure 1.3: Growth Trends in Membership Levels of Active Pension Plans vs All Pension Plans



¹ This represents membership in all plans.

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

³ This represents pension coverage for all plans.

INVESTMENT MIX

Private Pension Assets

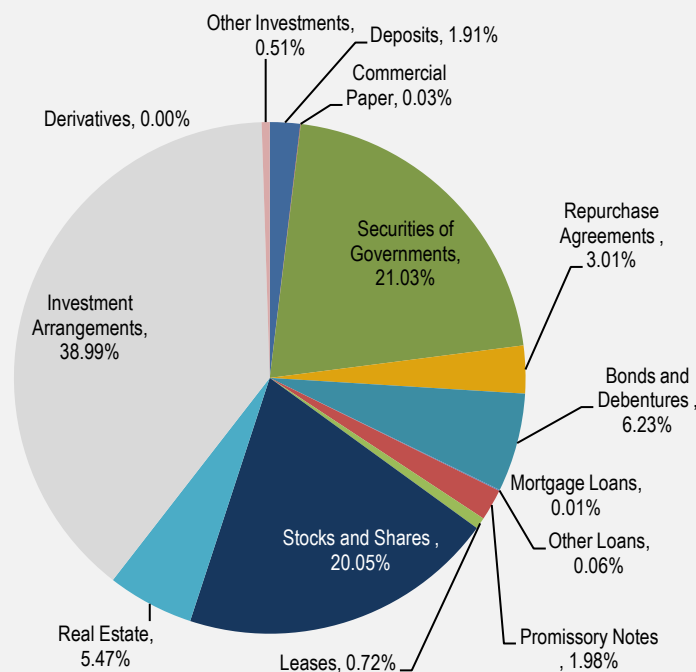
During the third quarter of 2023, the aggregate investment portfolio of the Jamaican private pensions industry recorded a growth of \$8.94 billion. In keeping with recent trend, pension contributions were primarily placed in investment arrangements (\$281.33 billion or 38.99%), government securities (\$151.75 billion or 21.03%), and stocks and shares (\$144.68 billion or 20.05%). From the three (3) named asset classes, government securities and investment arrangements recorded value growth of 3.74% and 1.68%, respectively, while stocks and shares experienced a decline of 1.50% over the period. Notably, the decline in value for stocks and shares corresponded with the movement in the equities market as the JSE Combined Index declined by 2,095.88 points or 0.64% over the same period.

Similarly, there were also value declines in five (5) other asset classes during the period with other investments and commercial paper experiencing the largest reductions of 15.19% and 7.18%, respectively. The decrease in the value of other investments was due to two (2) investment managers ("IMs") selling a percentage of units held, to purchase fixed income securities during the period.

Conversely, seven (7) asset classes increased in value over the period with other loans, government securities, and bonds and debentures accounting for the largest increases of 4.00%, 3.74%, and 3.63%, respectively. The increase in other loans was directly due to the issuance of new business on the account of plans managed by one (1) IM over the period. The growth for the two (2) remaining asset classes was primarily influenced by IMs seeking to maximize returns through increased interest income earned amidst rising interest rates, by reallocating pension portfolios to have a higher proportion of fixed income assets.

Cash deposits increased 2.96% over the quarter which represented the fifth consecutive quarterly increase. Though this increase was lower than the 8.66% recorded for the previous quarter, the continued growth is indicative of the challenges faced by IMs to quickly reinvest monies earned from matured debt instruments or contribution remittances. (See Figure 2.0 and Table 1).

Figure 2.0: Allocation of Total Private Pension Assets as at September 30, 2023



Key changes over the quarter:

- ↓
OTHER INVESTMENTS • -15.19%
 SEP 2023: **\$3.67B**, JUN 2023: **\$4.32B**
- ↓
COMMERCIAL PAPER • -7.18%
 SEP 2023: **\$234.95M**, JUN 2023: **\$253.11M**
- ↑
OTHER LOANS • 4.00%
 SEP 2023: **\$439.95M**, JUN 2023: **\$423.04M**
- ↑
GOVERNMENT SECURITIES • 3.74%
 SEP 2023: **\$151.75B**, JUN 2023: **\$146.27B**

Table 1: Aggregate Investment Portfolio Mix

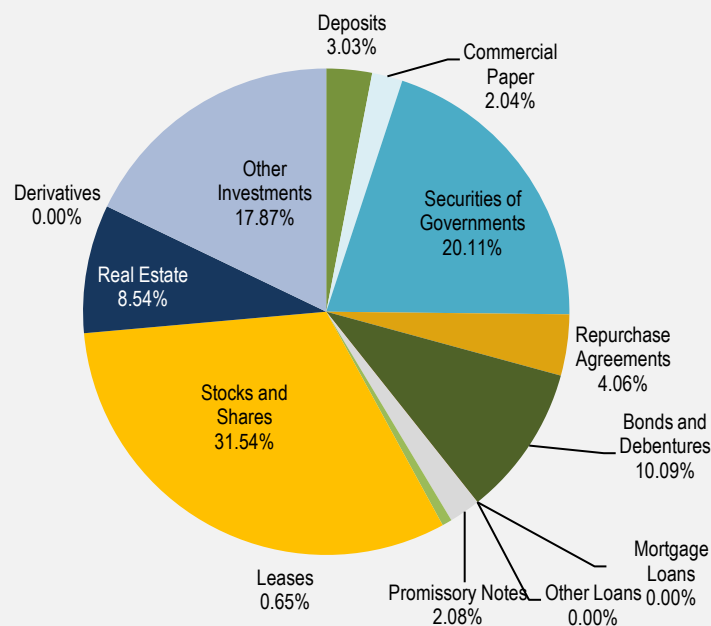
Types of Investment	Amount Invested \$' Millions	% of Total Investments	Amount Invested \$' Millions	% of Total Investments	Quarter over Quarter Growth in Assets	Year over Year Growth in Assets
	30-Sep-23		30-Jun-23			
Deposits	13,780.31	1.91%	13,384.52	1.88%	2.96%	24.66%
Commercial Paper	234.95	0.03%	253.11	0.04%	-7.18%	-7.58%
Securities of Governments	151,745.95	21.03%	146,270.23	20.52%	3.74%	7.14%
Repurchase Agreements	21,730.05	3.01%	22,584.30	3.17%	-3.78%	-8.24%
Bonds and Debentures	44,991.35	6.23%	43,417.04	6.09%	3.63%	17.84%
Mortgage	36.27	0.01%	37.04	0.01%	-2.08%	-7.08%
Other Loans	439.95	0.06%	423.04	0.06%	4.00%	-5.69%
Promissory Notes	14,298.11	1.98%	15,035.09	2.11%	-4.90%	11.28%
Leases	5,208.41	0.72%	5,145.10	0.72%	1.23%	4.69%
Stocks and Shares	144,684.13	20.05%	146,885.98	20.61%	-1.50%	-4.90%
Real Estate	39,468.95	5.47%	38,243.94	5.37%	3.20%	24.85%
Investment Arrangements	281,325.10	38.99%	276,663.92	38.82%	1.68%	4.14%
Derivatives	0.00	0.00%	0.00	0.00%	0.00%	0.00%
Other Investments	3,665.12	0.51%	4,321.39	0.61%	-15.19%	23.13%
Total Investments	721,608.65	100.00%	712,664.70	100.00%	1.26%	4.58%
Other Net Assets	1,114.17		1,119.97		-0.52%	27.72%
Total Assets	722,722.81		713,784.67		1.25%	4.61%

Pooled Investment Arrangements (“PIAs”)

For the quarter ended September 30, 2023, PIAs within the Jamaican private pension industry grew by 1.68% or \$4.66 billion compared with the previous period and a 4.14% or \$11.17 billion increase when compared to the corresponding period ended September 30, 2022. Similar to previous quarters, the portfolio composition remained the same with the three (3) largest asset classes being: stocks and shares (31.54% or \$86.69 billion), government securities (20.11% or \$55.27 billion), and other investments (17.87% or \$49.12 billion).

Repurchase agreements and government securities experienced the largest growth in value during the period of 12.62% and 11.28%, respectively, which highlighted the combined efforts made by most IMs to take advantage of the relatively higher interest rate macroeconomic environment in attaining greater investment returns on debt securities. During the period, investments in commercial paper substantially declined by 45.22%, or \$4.62 billion. This decrease was directly linked to a portion of these securities maturing within pension plans managed by a single IM.

Figure 2.1: Allocation of Pension Assets in Pooled Investment Arrangements as at September 30, 2023



Key changes over the quarter:



REPURCHASE AGREEMENTS • 12.62%
SEP 2023: \$11.16B, JUN 2023: \$9.91B



GOVERNMENT SECURITIES • 11.28%
SEP 2023: \$55.27B, JUN 2023: \$49.67B



COMMERCIAL PAPER • -45.22%
SEP 2023: \$5.60B, JUN 2023: \$10.21B

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
	30-Sep-23		30-Jun-23			
Deposits	8,331.14	3.03%	8,712.95	3.16%	-4.38%	19.61%
Commercial Paper	5,595.27	2.04%	10,214.56	3.70%	-45.22%	171.25%
Securities of Governments	55,265.96	20.11%	49,665.24	18.01%	11.28%	-5.65%
Repurchase Agreements	11,164.59	4.06%	9,913.10	3.59%	12.62%	-0.91%
Bonds and Debentures	27,723.93	10.09%	27,736.71	10.06%	-0.05%	18.93%
Mortgage	0.99	0.00%	1.01	0.00%	-1.99%	-7.11%
Other Loans	0.00	0.00%	0.00	0.00%	0.00%	-100.00%
Promissory Notes	5,708.34	2.08%	5,802.49	2.10%	-1.62%	2.41%
Leases	1,799.90	0.65%	1,768.72	0.64%	1.76%	-64.34%
Stocks and Shares	86,685.47	31.54%	85,614.17	31.04%	1.25%	-4.67%
Real Estate	23,473.75	8.54%	23,220.14	8.42%	1.09%	10.58%
Derivatives	0.00	0.00%	0.00	0.00%	0.00%	0.00%
Other Investments	49,123.42	17.87%	53,169.54	19.28%	-7.61%	4.78%
Total Pooled Investments ⁴	274,872.76	100.00%	275,818.64	100.00%	-0.34%	3.37%
Other Net Assets	760.16		738.88		-3.03%	-15.33%
Other Investment Arrangements	5,692.18		61.40		9,170.63%	70.83%
Total Assets	281,325.10		276,663.92		1.68%	4.14%

OPERATING STATISTICS

Active Pension Plans

Although the number of active pensions plans remained at 363 for the reporting quarter, total asset value experienced a 1.27% quarterly increase, moving from \$705.20 billion to \$714.14 billion. Active pensions plans continued to account for 44.54% of all pension plans within the industry; additionally, total membership for active members remained at 154,160 same as at the previous quarter.

Active Plans by Type

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

Active DC plans continued to represent majority of the Jamaican private pensions industry accounting for 69.42% of total plans and 73.36% of total membership. With the second-largest asset value in the industry at \$238.60 billion, active DC plans reported a 2.46% increase in total assets, comprising 33.41% of the total private pension assets.

Traditional DB plans continued to dominate the private pensions industry in asset value, accounting for 55.52% of assets or \$396.50 billion, a marginal increase of 0.64% during the quarter. Similarly, Hybrid DB plans recorded a 1.03% increase in total assets, however Mixed MDB plans saw a decrease of 0.40% in total assets for the quarter⁵. (See Table 3)

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

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.

Table 3: Active Pension Plans by Benefit Type

	Sep 2023	Jun 2023	Mar 2023
Number of Plans			
Traditional Defined Benefit	82	82	82
Mixed Defined Benefit	4	4	4
Hybrid Defined Benefit	25	25	25
Defined Contribution	252	252	252
Total Active Plans	363	363	363
Membership			
Traditional Defined Benefit	19,111	19,111	19,140
Mixed Defined Benefit	745	745	745
Hybrid Defined Benefit	21,205	21,205	20,425
Defined Contribution	113,099	113,099	111,536
Total Membership	154,160	154,160	151,846
Asset Values			
Traditional Defined Benefit (\$' Millions)	396,498	393,970	394,117
Mixed Defined Benefit (\$' Millions)	8,560	8,594	8,581
Hybrid Defined Benefit (\$' Millions)	70,486	69,771	67,835
Defined Contribution (\$' Millions)	238,598	232,869	228,316
Total Asset Values (\$' Millions)	714,143	705,204	698,848

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

For the quarter ended September 30, 2023, there were no new entries into the industry, as such the number of plans remained at 349 and 14 for SF and RS respectively. RS demonstrated a higher percentage increase of 2.93% in assets compared to SF's 1.10%. Despite this, SF's dollar value increase was significantly larger at \$7.02 billion, compared to RS's increase of \$1.92 billion. Superannuation Funds continued to dominate the private pensions industry in asset value, holding 90.57% or \$646.788 billion in total private pensions assets. While RS moved from \$65.44 billion in the previous quarter to \$67.35 billion in the current quarter. (See Figures 3.1 to 3.6).

Figure 3.1: Number of Superannuation Funds vs Retirement Schemes

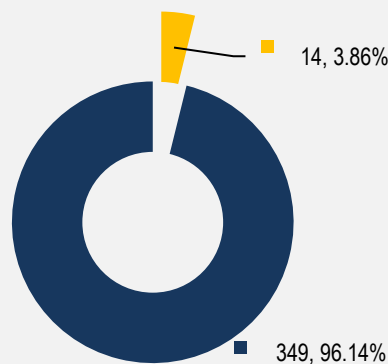


Figure 3.2: Number of Members in Superannuation Funds and Retirement Schemes

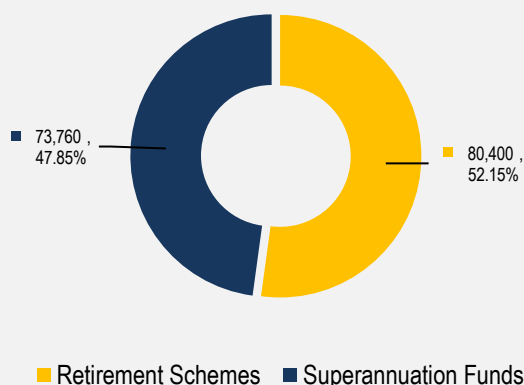
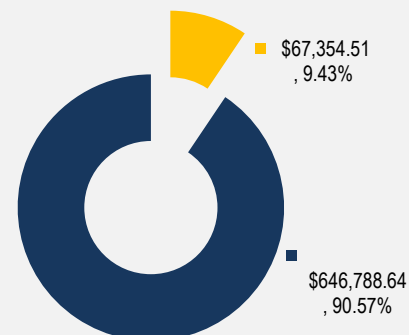


Figure 3.3: Assets in Superannuation Funds vs Retirement Schemes (\$'Millions)



■ Retirement Schemes ■ Superannuation Funds

Figure 3.4: Asset Values for Superannuation Funds

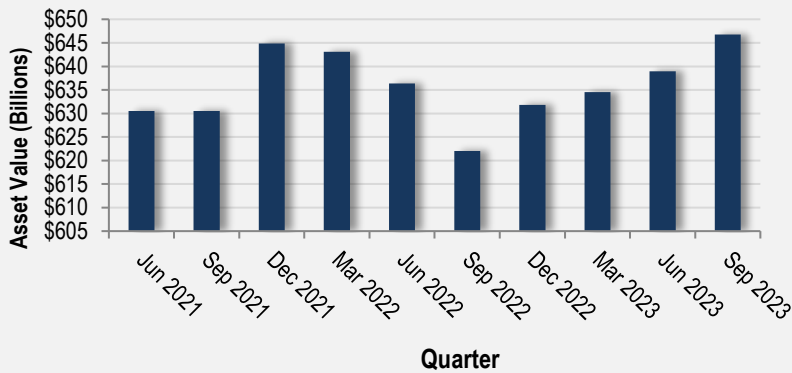


Figure 3.5: Asset Values for Retirement Schemes

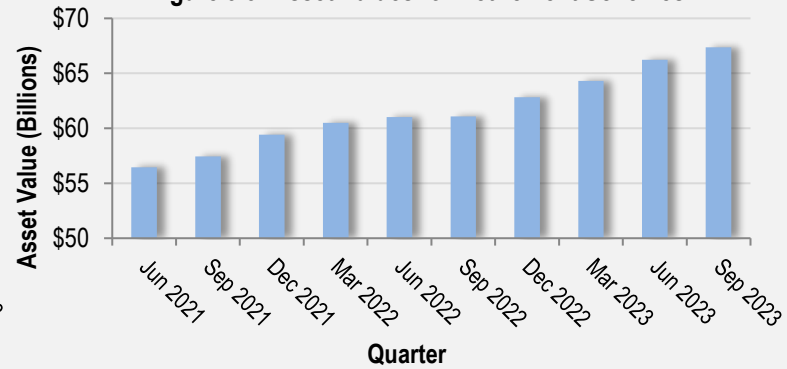
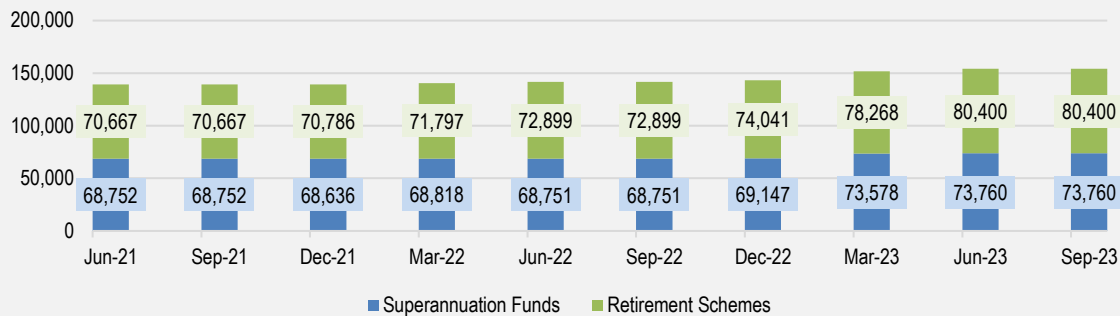


Figure 3.6: Membership for Superannuation Funds and Retirement Schemes



Active Superannuation Funds by Industry

For the quarter ended September 30, 2023, pension assets experienced growth across all industries with the Services industry recording the highest percentage increase of 2.05% or \$2.12 billion. This was mainly driven by five (5) pension plans within the industry, which collectively contributed to approximately 75% of the nominal increase. The trend continued with the Education and Construction industries, registering respective increases of 1.91% (\$718.82 million) and 1.83% (\$133.72 million) in asset value. Active SF within the Manufacturing sector observed the smallest increase, standing at 0.21%.

Commerce/Finance remained the industry segment with the highest value in private pension assets, of approximately \$241.28 billion or 37.30% of total assets for active SF. (See: Figures 3.7 to 3.9)

Figure 3.7: Percentage of Active Funds by Industry

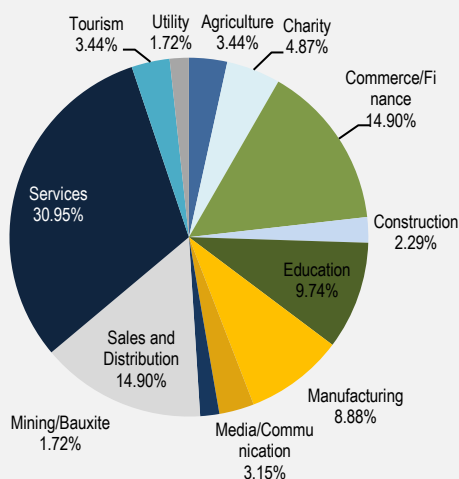


Figure 3.8: Active Membership in Funds by Industry

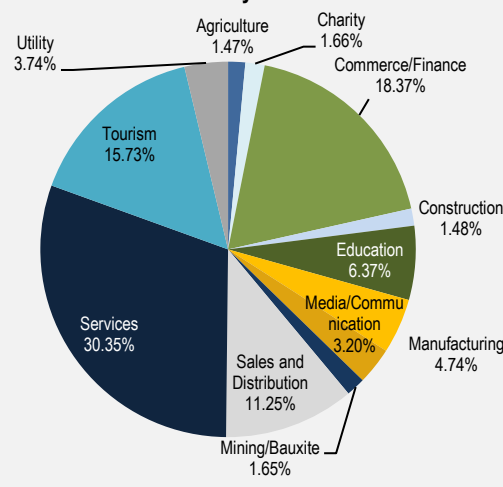
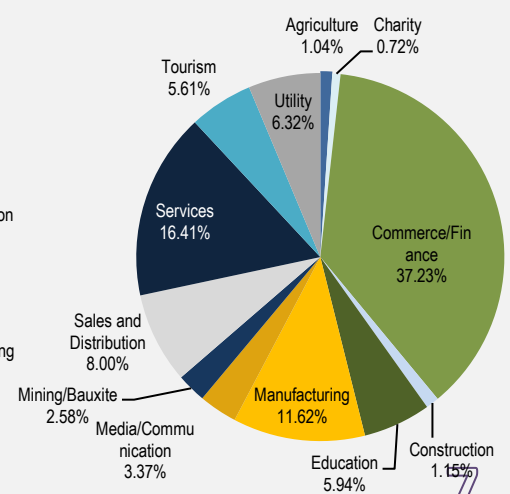


Figure 3.9: Asset Values for Funds by Industry



Solvency of Active Pension Plans

By September 30, 2023, the FSC obtained information on the solvency position of 350 active pension plans, one more than the previous quarter. With the inclusion of the mentioned plan, the number of solvent active plans in the industry experienced a slight increase to 335. Notably, a significant portion, 61%, of the active pension plans still report solvency levels between 100% and 120%, while 34% indicated solvency levels surpassing 120%.

While the number of insolvent DC plans has remained constant, it is crucial for trustees to recognize that, theoretically, true DC plans, where pension benefits rely on contributions and investment gains and for which members assume all investment risk, should not be insolvent. To prevent further decline in members' benefits and the occurrence of more insolvent plans, trustees must prioritize robust oversight of the asset-liability management of these DC pension plans. It is imperative to ensure that the interest credited to members' accounts aligns with the net yield earned on the assets acquired through members' contributions.

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 and 2023	DC	25	3	18	2	2	88.00%
	HDB	0	0	0	0	0	0.00%
	TDB	6	0	1	2	3	0.00%
	MDB	0	0	0	0	0	0.00%
	Total	31	3	19	4	5	90.32%
2021	DC	63	0	51	8	4	100.00%
	HDB	3	0	3	0	0	100.00%
	TDB	23	2	5	7	9	91.30%
	MDB	1	1	0	0	0	0.00%
	Total	90	3	59	15	13	96.67%
2020	DC	82	2	57	20	3	97.56%
	HDB	3	1	2	0	0	66.67%
	TDB	25	0	8	8	9	100.00%
	MDB	2	0	1	1	0	100.00%
	Total	112	3	68	29	12	97.32%
2019 and earlier	DC	85	5	60	13	7	94.12%
	HDB	3	0	2	0	1	100.00%
	TDB	28	1	6	9	12	96.43%
	MDB	1	0	1	0	0	0.00%
	Total	117	6	69	22	20	94.87%
OVERALL		350	15	213	69	50	95.68%

Inactive and Terminating Pension Plans

During the September 2023 quarter, there were no changes in the number of terminating and inactive plans or in the plan membership for either category, sustaining the trend observed at the conclusion of the June 2023 quarter. Consequently, there remained 436 terminating plans and 16 inactive plans, while total plan membership totalled 198 and 53 respectively. Notably, the asset value for inactive plans decreased marginally by 0.96% to \$236 million during the quarter. This was not the case for terminating plans, which saw a 0.02% increase to \$8.363 billion, owing primarily to a 0.23% increase in asset value for the terminating DC plans. (See: Tables 5 and 6)

Table 5: Inactive Pension Plans by Benefit Type

	Sept-23	Jun-23	Mar-23
Number of Plans			
Defined Benefit	3	3	3
Defined Contribution	13	13	13
Total Inactive Plans	16	16	16
Membership			
Defined Benefit	0	0	0
Defined Contribution	53	53	53
Total Membership	53	53	53
Asset Values			
Defined Benefit (\$' Mil)	172	174	182
Defined Contribution (\$' Mil)	64	64	64
Total Asset Values (\$' Mil)	236	238	247

Table 6: Terminating Pension Plans by Benefit Type

	Sept-23	Jun-23	Mar-23
Number of Plans			
Defined Benefit	105	105	105
Defined Contribution	331	331	333
Total Terminating Plans	436	436	436
Membership			
Defined Benefit	79	79	79
Defined Contribution	119	119	119
Total Membership	198	198	198
Asset Values			
Defined Benefit (\$' Mil)	4,142	4,150	4,207
Defined Contribution (\$' Mil)	4,221	4,211	4,256
Total Asset Values (\$' Mil)	8,363	8,361	8,463

March and June 2023 were restated for terminating plans.

Investment Managers

There continues to be 25 IMs within the private pension industry, inclusive of fifteen (15) Securities Dealers ("SDs"), two (2) Credit Unions ("Cus"), two (2) Life Insurance Companies ("LICs"), and six (6) other IMs. With SDs still holding approximately 55% (\$398.31 billion) of the industry's assets under management, LICs managed 36.89% (\$266.59 billion) and other IMs managed 8.00% (\$57.61 billion) for the quarter. Interestingly, with the exception of CUs, all categories of IMs once again saw an increase in funds under management, with LICs seeing the largest increase of 1.60%, or \$4.50 billion. (See Figure 3.10 and Table 7).

Figure 3.10: Investment Managers' Share of Market Assets

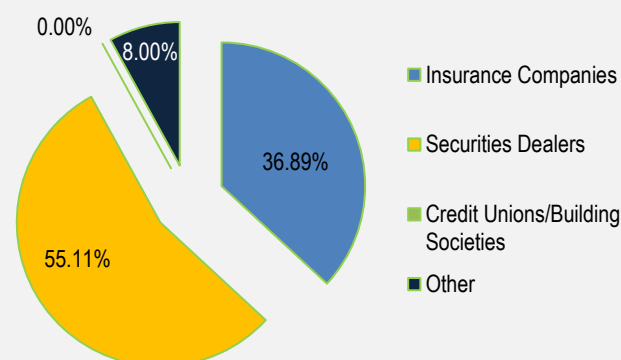


Table 7: Total Assets under Management of Investment Managers

Investment Managers	Number of Entities Sept 2023	Asset Values Sept 2023 (\$'Millions)	Number of Entities Jun 2023	Asset Values Jun 2023 (\$'Millions)	Number of Entities Mar 2023	Asset Values Mar 2023 (\$'Millions)
Life Insurance Companies	2	266,585	2	262,385	2	260,333
Securities Dealers	15	398,311	15	393,813	15	391,661
Credit Unions	2	-	2	-	2	-
Other	6	57,845	6	57,605	6	55,564
Total	25	722,742	25	713,804	25	707,559

RISK OUTLOOK



According to the Statistical Institute of Jamaica ("STATIN"), real gross domestic product (GDP) for the Jamaican economy grew by an estimated 2.1% during the September 2023 quarter when compared to the corresponding one-year period ended September 2022. The Planning Institute of Jamaica ("PIOJ") indicated that the growth experienced throughout the economy for the period was largely due to the country's ability to achieve higher levels of employment and increased capacity utilization in the Mining and Quarrying industries. Additionally, growth in real GDP was influenced by the continued growth momentum achieved in the tourism sector as reflected by the improved performances seen in the Service Industries and Manufacturing Industries. Notably, should there be a slowdown in the growth rate of the nation for the year 2024, due to adverse weather conditions worldwide, tighter monetary policies employed by central banks or even the spillover negative effects from the ongoing conflict in Eastern Europe, as forecasted by the International Monetary Fund, this may result in lower quarter-to-quarter incremental asset value growth in the private pensions industry.



As at September 2023, the Bank of Jamaica ("BOJ") reported a point-to-point inflation rate of 5.86%. Unlike the previous quarter, reported inflation fell within the central bank's target range of 4% to 6%, making it the lowest percentage recorded since May 2023 (6.07%) and further extended the overall downward trend in monthly inflation observed since November 2022 (10.3%). The BOJ indicated that inflation for the period was directly related to the increased price level seen in the 'Food and Non-Alcoholic Beverages' (9.8%) and 'Restaurants and Accommodations Services' (12.0%) divisions. Additionally, the Jamaican price level has continued to be negatively impacted by the global supply chain issues. As the inflation rate continues to decline, this should increase the real value of returns on investment portfolios as well as improve the purchasing power of the retirement income earned by current pensioners. The FSC encourages active members of pension plans to increase their voluntary contributions where possible and contribute the maximum amount stipulated by law. To optimize the overall return on investments for plan members, IMs are also encouraged to diversify pension plan portfolios promptly and appropriately under management and promptly perform portfolio rebalancing where necessary.



During the quarter, local market interest rates remained elevated, which continued to have a negative impact on the business performance of many companies in the economy as they absorb the relatively higher cost for borrowing. As expected, with some of these companies also being listed on the local exchange, the JSE Combined index fell in value from 343,439.95 to 341,388.96 or 0.60% over the same period. Similarly, there was a decrease in the value of equities within the aggregate private pension investment mix over the quarter which amounted to 1.50%. As stocks and shares constitute the third-largest asset class in the private pensions industry, it is crucial for trustees and investment managers to consistently monitor the market. Timely execution of appropriate portfolio rebalancing strategies is essential, particularly in mitigating downside risk. This proactive approach is vital to ensure the secure preservation of the value of members' retirement income, ultimately safeguarding their financial well-being upon retirement.



SUMMARY

As of September 30, 2023, the Jamaican private pensions industry sustained its gradual growth, reaching \$722.74 billion—the highest ever reported value. Despite global challenges, the aggregate investment portfolio grew by 1.25% or \$8.94 billion, showing declines in stocks and shares but increases in government securities and other asset classes. Despite the number of active pension plans remaining at 363, the total asset value increased by 1.27% to \$714.14 billion, with active plans constituting less than half of all plans.

Trustees are urged to sustain their active oversight in monitoring, diversifying, and recalibrating plan portfolios, recognizing the imperative role these actions play in aligning investments with market dynamics. This strategic approach is crucial for safeguarding the accrued benefits of members amidst evolving market conditions. The FSC's continuous collaboration with industry stakeholders underscores the commitment to fostering a resilient environment. This joint effort is aimed at enhancing protective measures, ensuring the welfare of every member and beneficiary in the Jamaican private pension industry through informed and adaptive investment strategies.