PRIVATE PENSIONS INDUSTRY STATISTICS

2023 REVIEW

In this report:

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

OVERVIEW

As of December 31, 2023, the total value of assets invested in the Jamaican private pensions industry was **$745.79 billion,** representing a 6.06% increase from the previous year. This figure represents the culmination of the largest asset value reported for the industry and signifies the most substantial percentage growth since December 2021.

During the 2023 calendar year, two (2) pension plans commenced winding-up proceedings. Despite the reduction in active plans, 96% of the remaining active pension plans remained solvent. This outcome was influenced by the gradual increase in plan membership over the five (5) year period (movement from 124,631 to 155,660).

OVERVIEW (cont'd)

Key changes in the industry over the 2023 calendar year

PRIVATE PENSION ASSETS • 6.06%
2023: $745.79B, 2022: $703.20B
MEMBERSHIP[1] • 7.18%
2023: 155,919, 2022: 145,478
NUMBER OF PLANS[2] - REMAINED THE SAME
2023: 815, 2022: 815
NUMBER OF ACTIVE PLANS • -2.15%
2023: 362, 2022: 364

PENSION COVERAGE[3] • 4.43%
2023: 11.79%, 2022: 11.29%

The industry has seen an average quarterly and annual growth of 1.42% and 4.66% respectively over the past five years. This is, however, a decline of 20.22% and 25.20% in average quarterly and annual growth respectively when compared with the average five-year growth reported one year earlier.

The growth rate of membership in the private pension industry's active plans (8.71%) outpaced that of the growth in the employed labour force[4] (4.13%) during the year, which resulted in a marginal growth in private pension coverage of the aforementioned plans, moving from 11.29 to 11.79 (4.43%) at the end of the period. (See Fig. 1.2).

Figure1.0: Annual Growth Trend of Total Industry Assets

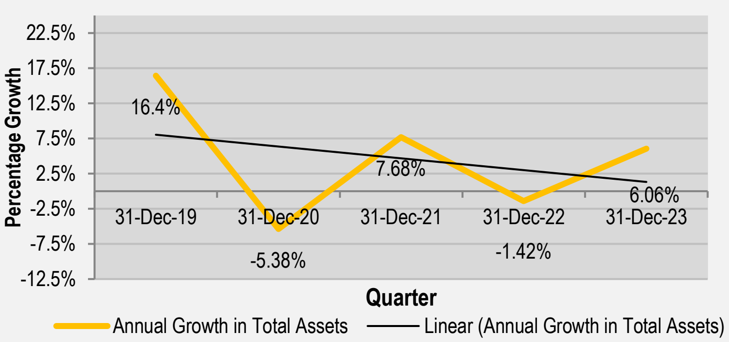


Figure 1.1: Annual Growth Trend in Total Membership of Active Pension Plans

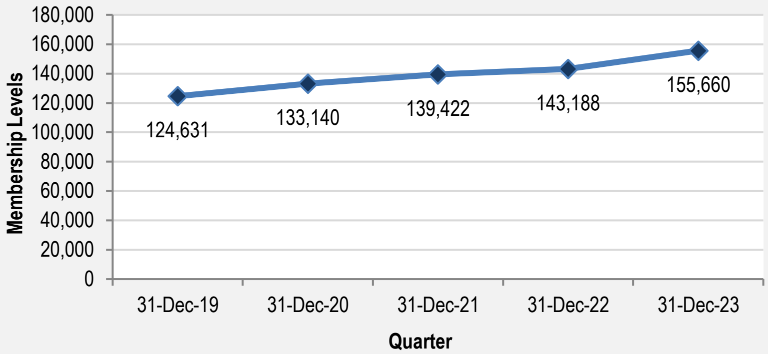
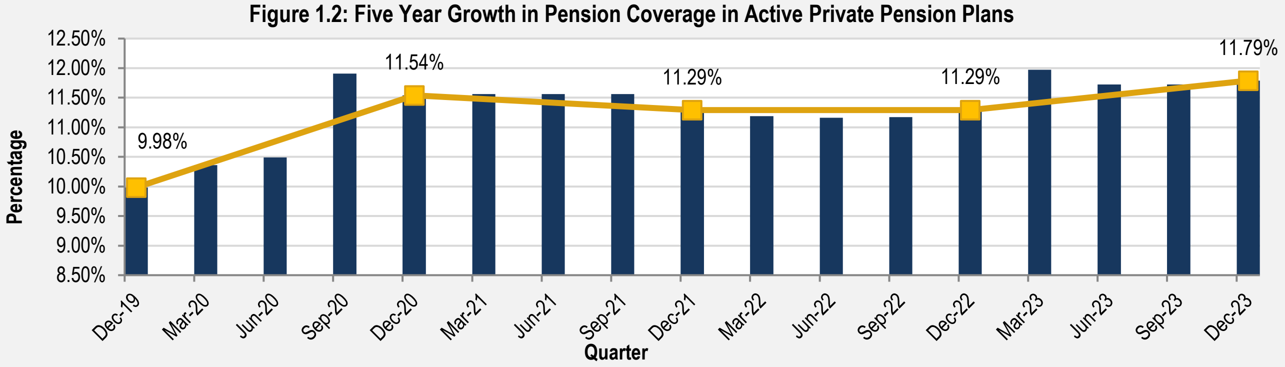


Figure 1.2: Five Year Growth in Pension Coverage in Active Private Pension Plans



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[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 active plans only.

[4] The Jamaican employed labour force as at October 31, 2023 was 1,320,400 according to the Statistical Institute of Jamaica (https://statinja.gov.jm/).

INVESTMENT MIX

Private Pension Assets.

Following the growth at the end of 2022, the total private pension assets continued its upward trajectory, with the final quarter seeing the highest growth of 3.19%, attributable to an increase in most of the reported asset classes. In line with past trends, pension industry assets predominantly comprised Investment Arrangements ($289.83 billion or 38.87%), Government of Jamaica ("GOJ") securities ($154.71 billion or 20.75%), and Stocks and Shares ($150.30 billion or 20.16%). Of the three asset classes, two advanced in value from the previous year – 5.62% (for Investment Arrangements), 5.67% (for GOJ securities), whilst Stocks and Shares suffered a 0.6% decline, when compared with the previous year. The decrease in the value for Stocks and Shares asset can be attributed to the high interest environment within the Jamaican economy. (See Figure 2.0).

During the 2023 period, most asset classes saw an increase in value with Promissory notes and Repurchase Agreements leading the charge with increases of 33.75% and 30.80%, respectively. The increase in the value of Promissory notes and repurchase agreements was primarily driven by three (3) investment managers ("IMs"). The significant interest in the repos could be indicative of IMs' need to raise short-term capital.

On the other hand, four (4) asset classes experienced a decrease in value over the 2023 calendar year– Commercial Paper (by 8.62%), Mortgage (by 7.12%), Other Loans (by 19.23%) and Stocks and Shares (by 0.60%). Except for Other Loans, the declines in these asset classes could be attributed to the hight interest rate environment within the economy. The decline in Other Loan was largely as a result of an IM redirecting funds to other asset classes with higher yields.

Cash deposits increased 21.96% over the 2023 calendar, this year's increase exceeded the 10.68% recorded for the previous quarter, which continues to accentuate challenges faced by IMs to quickly reinvest monies earned from matured debt instruments or contribution remittances. (See Figure 2.0 and Table 1)

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

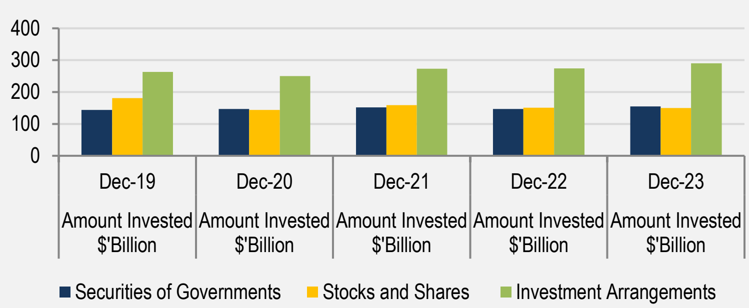
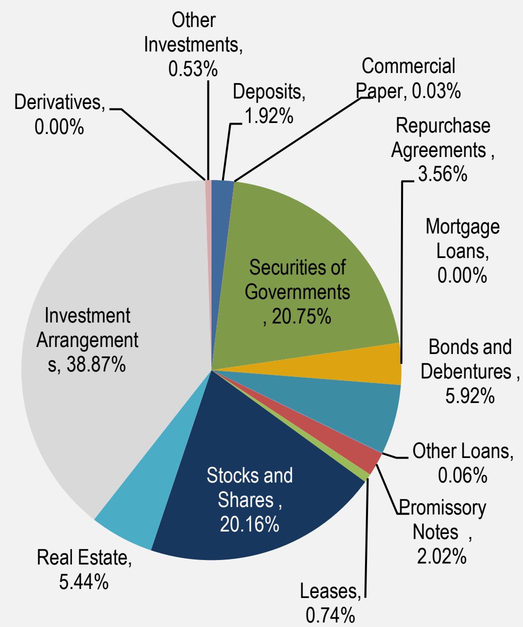


Figure 2.0: Allocation of Total Private Pension Assets as at December 31, 2023



Key changes in the Aggregate Investment Portfolio Mix over the 2023 calendar year:

TOTAL PROMISSORY NOTES • 33.75%
2023: $15.09B, 2022: $11.28B

TOTAL MORTGAGE • -19.23%
2023: $465.75M, 2022: $576.64M

TOTAL REPURCHASE AGREEMENTS • 30.80%
2023: $26.52B, 2022: $20.28B

TOTAL COMMERCIAL PAPER • -8.62%
2023: $233.88B, 2022: $255.95B

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-23		Sep-23		Dec-22			
Deposits	14,289.41	1.92%	13,830.63	1.92%	11,716.61	1.68%	3.32%	21.96 %
Commercial Paper	233.88	0.03%	234.95	0.03%	255.95	0.04%	-0.46%	-8.62%
Securities of Governments	154,712.97	20.75%	151,741.88	21.03%	146,409.60	20.96%	1.96%	5.67%
Repurchase Agreements	26,520.03	3.56%	21,844.55	3.03%	20,275.38	2.90%	21.40%	30.80%
Bonds and Debentures	44,149.83	5.92%	45,085.48	6.25%	39,939.05	5.72%	-2.08%	10.54 %
Mortgage	35.59	0.00%	36.27	0.01%	38.32	0.01%	-1.87%	-7.12%
Other Loans	465.75	0.06%	439.95	0.06%	576.64	0.08%	5.86%	-19.23%
Promissory Notes	15,088.52	2.02%	14,298.11	1.98%	11,280.77	1.62%	5.53%	33.75%
Leases	5,517.12	0.74%	5,208.41	0.72%	4,843.84	0.69%	5.93%	13.90%
Stocks and Shares	150,300.19	20.16%	145,443.14	20.15%	151,204.75	21.65%	3.34%	-0.60%
Real Estate	40,583.30	5.44%	39,468.95	5.47%	33,721.74	4.83%	2.82%	20.35%
Investment Arrangements	289,834.79	38.87%	280,384.16	38.85%	274,420.46	39.29%	3.37%	5.62%
Derivatives	0.00	0.00%	0.00	0.00%	0.00	0.00%	0.00%	0.00%
Other Investments	3,982.20	0.53%	3,665.12	0.51%	3,799.81	0.54%	8.65%	4.80%
Total Investments	**745,713.57**	**100.00%**	**721,681.59**	**100.00%**	**698,482.90**	**100.00%**	**3.33%**	6.76%
Other Net Assets	79.08		1,060.13		4,715.35		-92.54%	-98.32%
Total Assets	**745,792.65**		**722,741.72**		**703,198.25**		**3.19%**	6.06%

Investment Arrangements ("IAs")

As at December 31, 2023, IAs which consists of Type I and Type II Pooled Funds and Deposit Administration Funds experienced a year-over-year growth of $15.41 billion or 5.62%. The main drivers of this growth were investments in Repurchase Agreements, Bonds and Debentures and Commercial Paper. The heavy investments in these short-term instruments, may be a result of increased attempts by IA operators to meet the liquidity needs of funds under management.

Stocks and shares, GOJ securities and other investments cumulatively accounted for approximately 68.04% of the IA portfolio and represented the three largest asset classes as with the previous calendar year-end. Stocks and shares, which accounted for 29.11% of total investments, saw a 6% decrease in asset value when compared to the previous year. Other investments and GOJ securities fared differently, increasing by 2.61 % and 3.95% respectively over the year. (See Figure 2.2 & 2.3 and Table 2)

Figure 2.2: Allocation of Pension Assets in Investment Arrangements as at December 31, 2023

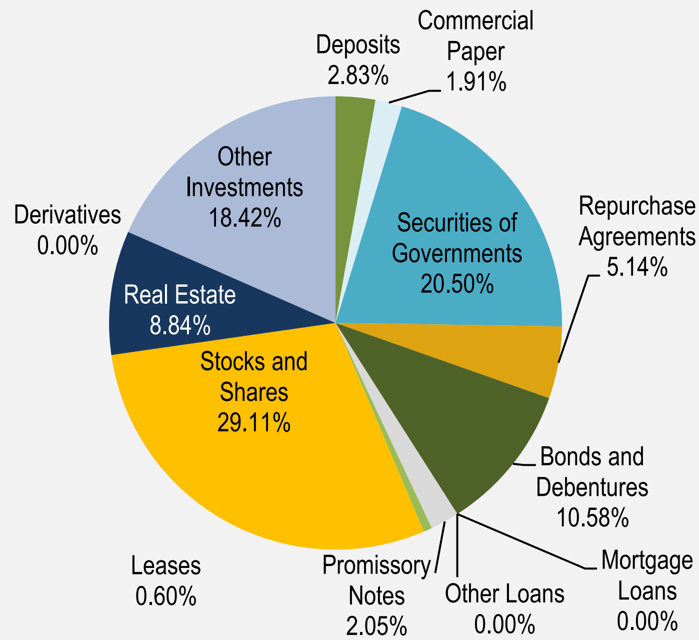
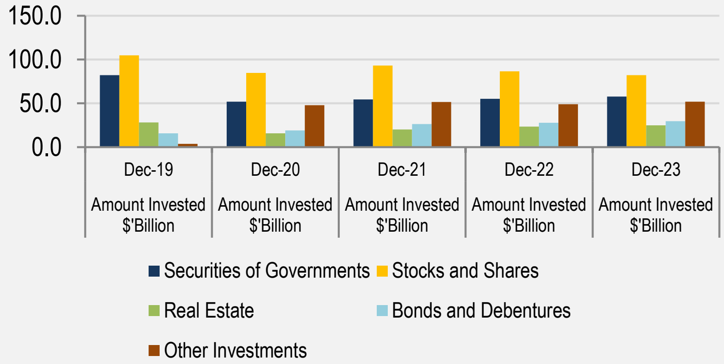


Figure 2.3: Five Year Growth of the Largest Asset Classes within the Investment Arrangements Portfolio



Key changes in the IA over the 2023 calendar year:

REPURCHASE AGREEMENTS • 47.68%
2023: $14.49B, 2022: $9.81B

BONDS AND DEBENTURES • 20.72%
2023: $29.80B, 2022: $24.68B

STOCKS AND SECURITIES• -6.00%
2023: $82B, 2022: $87.23B

Table 2: 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 IAs	Year over Year Growth in IAs
	Dec-23		Sep-23		Dec-22			
Deposits	7,966.26	2.83%	8,403.73	3.07%	8,430.20	3.15%	-5.21%	-5.50%
Commercial Paper	5,375.25	1.91%	5,595.27	2.04%	2,104.13	0.79%	-3.93%	155.46
Securities of Governments	57,748.00	20.50%	55,019.53	20.09%	55,552.91	20.76%	4.96	3.95
Repurchase Agreements	14,487.37	5.14%	11,160.39	4.07%	9,809.66	3.67%	29.81	47.68
Bonds and Debentures	29,796.31	10.58%	27,773.40	10.14%	24,681.80	9.22%	7.28	20.72
Mortgage Loans	0.90	0.00%	0.99	0.00%	1.05	0.00%	-8.82%	-14.05%
Other Loans	0.00	0.00%	0.00	0.00%	52.04	0.02%	0.00	-100.00%
Promissory Notes	5,779.37	2.05%	5,708.34	2.08%	5,052.66	1.89%	1.24	14.38
Leases	1,703.41	0.60%	1,799.90	0.66%	1,505.42	0.56%	-5.36%	13.15
Stocks and Shares	81,996.43	29.11%	85,873.33	31.35%	87,234.54	32.60%	-4.51%	-6.00%
Real Estate	24,905.36	8.84%	23,473.53	8.57%	22,647.15	8.46%	6.10	9.97
Derivatives	0.00	0.00%	0.00	0.00%	0.00	0.00%	0.00	0.00
Other Investments	51,878.31	18.42%	49,123.42	17.93%	50,556.92	18.89%	5.61	2.61
Total Investments Arrangements[4]	**281,636.97**	**100.00%**	**273,931.83**	**100.00%**	**267,628.48**	**100.00%**	**2.81**	**5.23**
Other Net Assets	3,035.02		760.16		1,950.12		299.26	55.63
Other Investment Arrangements	5,162.79		5,692.18		4,841.87		-9.30%	6.63
Total Assets	**289,834.79**		**280,384.16**		**274,420.46**		**3.37**	**5.62**

September 2023 was restated in the Fund Status Report (Form 7) for one Investment Manager.

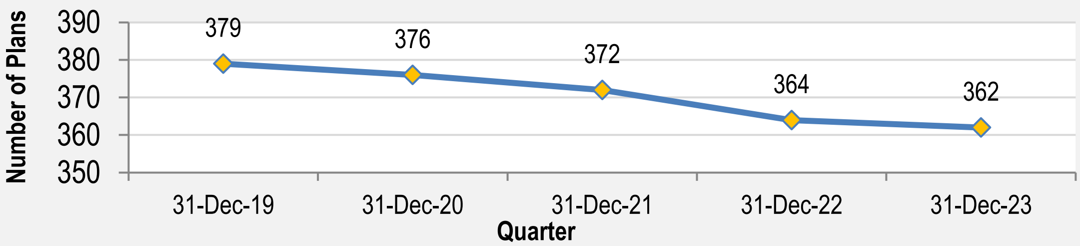
[4] Total Investments Arrangements describes Type I Pooled Funds and some Deposit Administration Funds.

OPERATING STATISTICS

Active Pension Plans

As a result of two plans initiating termination proceedings during the year, active pension plans saw a 0.55% reduction, ending the year with 362. Notwithstanding, the asset value for active pension plans grew by 5.88% from $694.43 billion to $735.27 billion over the calendar year, accounting for 98.59% of the total assets in the industry. Further, the number of active pensions plans represented 44.42% of the private pension industry, with the membership in these plans seeing an upward movement of 8.71%, ending the year with 155,660 members.

Figure 3.0: Growth Trend - Number of Active Pension Plans



Active Plans by Type

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

Both plans that terminated during the year were Defined Contribution ("DC") plans. However, despite the reduction in the number of DC plans, assets in DC plans grew from $222.72 billion to 248.49 or 11.57% over the year and continued to account for the majority of the active pension plans in the industry, 69%. Notwithstanding the growth in DC plan assets, it is ranked second to the asset values of traditional DB ("TDB")[5] plans with asset values of $404.68 billion at the end of December 2023.

Total active plan membership grew by 8.71% during the year from 143,188 to 155,660, with DC plans experiencing the largest individual increase of 11.76% in membership. Hybrid Defined Benefit ("HDB") plans continued to account for the second largest membership, notwithstanding only representing 6.90% of active pension plans. TDB plans, despite growth in asset values, saw a reduction of 0.75% in membership. Finally, Mixed Defined Benefit ("MDB") plans have been the least employed benefit structure, claiming 0.47% of membership and 1.20% of assets in active plans. (See Table 3)

[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

	Dec 2023	Sep 2023	Dec 2022
Number of Plans			
Traditional Defined Benefit	82	82	82
Mixed Defined Benefit	4	4	4
Hybrid Defined Benefit	25	25	25
Defined Contribution	251	252	253
Total Active Plans	**362**	**363**	**364**
Membership			
Traditional Defined Benefit	19,082	19,111	19,226
Mixed Defined Benefit	733	745	709
Hybrid Defined Benefit	21,206	21,205	20,681
Defined Contribution	114,639	113,099	102,572
Total Membership	**155,660**	**154,160**	**143,188**
Asset Values			
Traditional Defined Benefit ($' Millions)	404,677	396,498	395,004
Mixed Defined Benefit ($' Millions)	8,802	8,560	8,550
Hybrid Defined Benefit ($' Millions)	73,303	70,486	68,378
Defined Contribution ($' Millions)	248,486	238,482	222,717
Total Asset Values ($' Millions)	**735,268**	**714,027**	**694,650**

September 2023 was restated.

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

While the number of active SFs decreased to 348, there was a 5.27% increase in assets and a 7.60% increase in total membership for the year. One retirement scheme was registered by the FSC during the year, bringing the number of active RSs to fourteen. Importantly, this is the first new registered RS since 2016. It was observed that the 9.75% annual growth in membership for RSs was greater than that of SFs for the period, which continues the trend seen in 2022 and 2021.

SFs continue to hold a sizable share of the assets in the private pension industry, making up 90% or $665.08 billion in total. Notwithstanding, RSs saw a higher annual asset growth of 11.70%, ending at $70.19 billion. By the end of the calendar year, SFs had an average 5-year growth in assets of about 4.04%, while RSs realized a far greater average annual growth of about 11.78% for the same timeframe. (See Figures 3.1 to 3.6).

Figure 3.1: Number of Superannuation Funds vs Retirement Schemes

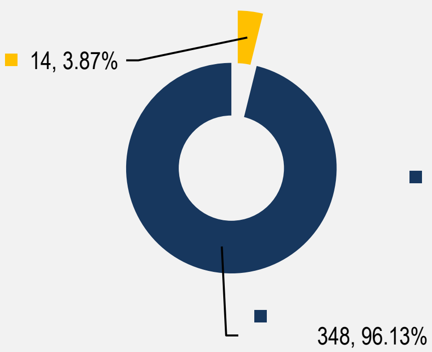


Figure 3.2: Number of Members in Superannuation Funds and Retirement Schemes

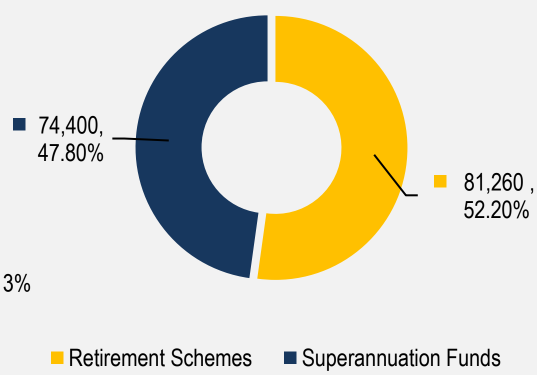


Figure 3.3: Assets in Superannuation Funds vs Retirement Schemes ($'Millions)

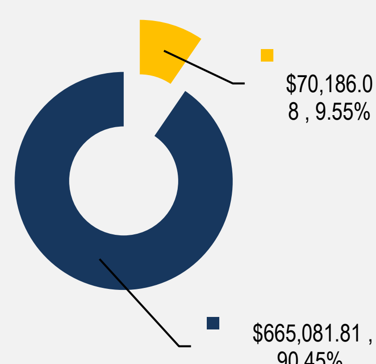


Figure 3.4: Five Year Growth in Asset Values for Superannuation Funds

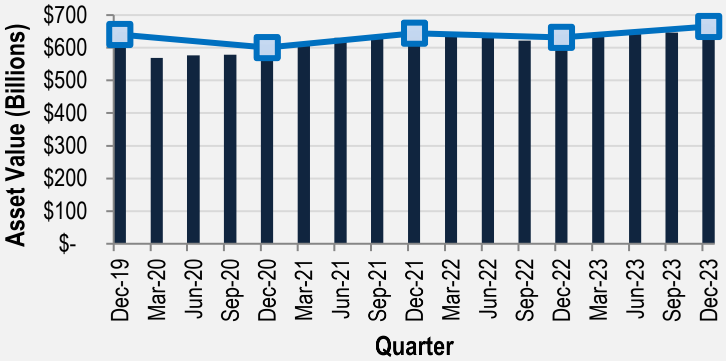


Figure 3.5: Five Year Growth in Asset Values for Retirement Schemes

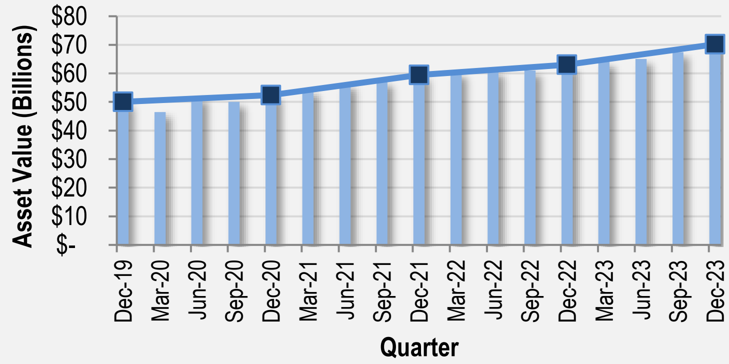
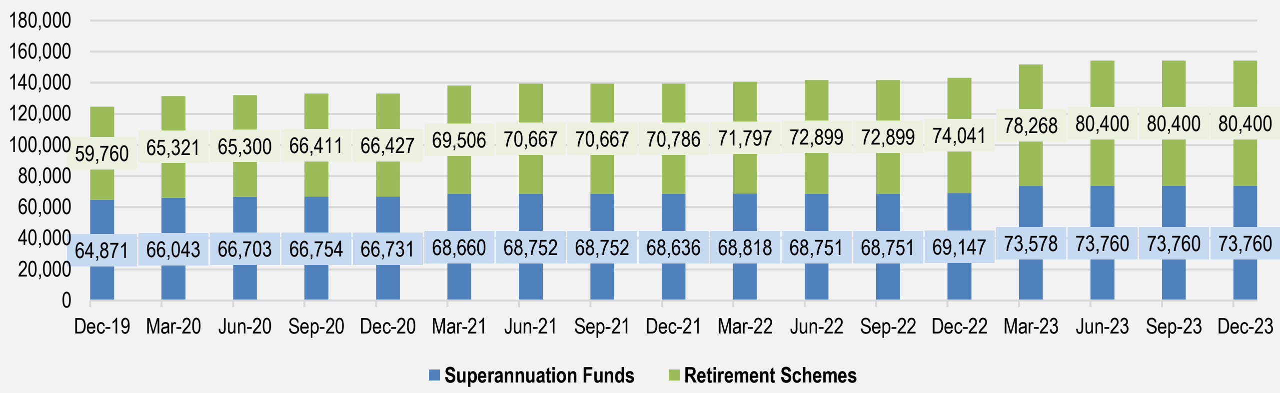


Figure 3.6: Five Year Change in Membership for Superannuation Funds and Retirement Schemes



Active Superannuation Funds by Industry

Compared to 2022, all industries experienced significant growth in private pensions assets for the year ended December 31, 2023. The most notable increase came from the Tourism industry, which ended the year with $38.15 billion, representing an increase of 11.59% in private pensions assets. This growth could be attributed mainly to six (6) plans within the industry which contributed to approximately 37.52% of the nominal increase in pensions assets. The upward trend continued with the Media/Communication, Service and Agriculture industries, each recording an increase of 7.03% ($22.48 billion), 8.01% (108.89 billion) and 8.79% ($6.94 billion) respectively. Notably the smallest increase recorded for the year was 2.64% ($41.83 billion) and this came from the Utility industry.

The year 2023 saw a reduction of 0.85% in active SFs, ending with 348 from the 351 reported one year earlier. The two plans that terminated were from the Commerce/Finance Industry and one plan withdrew its' application from the Mining/Bauxite Industry. The services industry continued to comprise the majority of the active SFs within the industry (108 plans or 22,790 members) while Commerce/Finance remained the industry with the largest portion of private pension assets (37.30%). As it relates to plan membership, several industries experienced a decline in total membership with the Education industry recording the largest decrease of 13%, whilst the Tourism industry recorded the largest increase in plan membership of 77% for the 2023 calendar year. (See: Figures 3.7 to 3.9)

Figure 3.7: Percentage of Active Funds by Industry

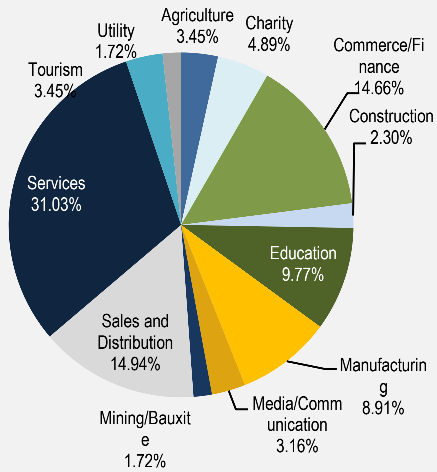


Figure: 3.8 Active Membership in Funds by Industry

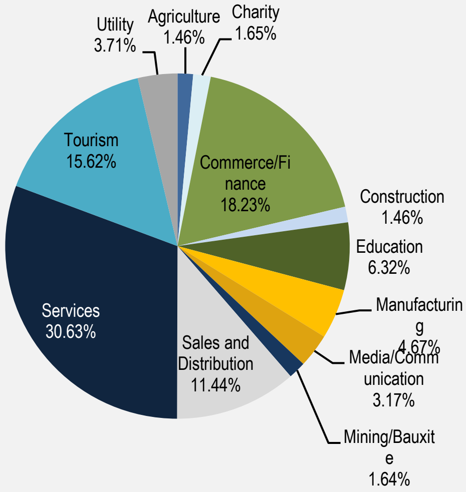
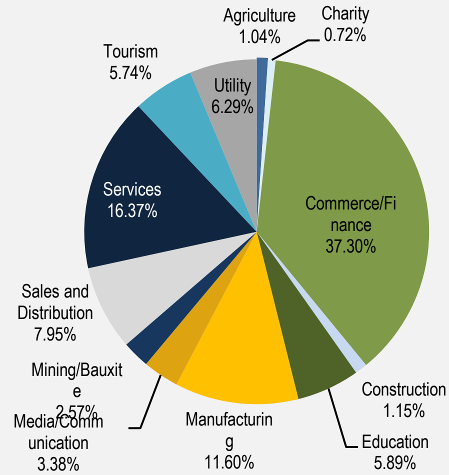


Figure 3.9: Asset Values for Funds by Industry



Solvency of Active Pension Plans

As at December 31, 2023, the FSC obtained information on the solvency position of three hundred and forty-nine (349) active pension plans, the same as the previous year. Of these 34 plans, there were 254 DC plans, 82 TDB, nine (9) HDB and four (4) MDB plans. Of the 349, approximately 96% or 335 of those plans were solvent one less than the previous year.

Of the 335 solvent plans, 216 (64.48%) reported solvency levels between 100% and 120%, five (5) more plans than reported as at December 2022. Conversely, the number of plans with solvency levels above 120% dropped from 125 to 119. Just as in previous periods, DC plans accounted for more than 70% of solvent plans, followed by TDB plans that accounted for approximately 24%. These movement amongst the plan categories can be attributed to four plans becoming insolvent during the 2023 calendar year, whilst two plans which had been in insolvent as at December 2022 becoming solvent, additionally one active plan that was solvent, became terminated during period. (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%	
2023	DC	3	0	2	1	0	100.00%
	Total	**3**	**0**	**2**	**1**	**0**	**100.00%**
2022	DC	22	3	16	1	2	86.36%
	HDB	0	0	0	0	0	0.00%
	TDB	9	0	1	4	4	0.00%
	MDB	0	0	0	0	0	0.00%
	Total	**31**	**3**	**17**	**5**	**6**	**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 and earlier	DC	166	6	118	32	10	96.38%
	HDB	6	1	4	0	1	83.33%
	TDB	50	1	14	14	21	98.00%
	MDB	3	0	2	1	0	100.00%
	Total	**225**	**8**	**138**	**47**	**32**	**96.44%**
OVERALL		**349**	**14**	**216**	**68**	**51**	**95.98%**

Inactive and Terminating Pension Plans

As at December 31, 2023, the number of terminating plans grew to 437, a 0.46% increase from the 435 reported one year earlier. The increase in the number of terminating plans was accompanied by a 20.66% or $1.76 billion annual increase in assets and a 64.60% annual decrease in membership. Currently, terminating plans represent approximately 53.62% of plans within the private pension industry, while the smallest category, inactive plans, makes up approximately 1.96%. Furthermore, total assets decreased from $250.91million to $244.55million or 3.98% when compared to December 2022. For the past five (5) years, inactive plans have seen an average annual growth of -2.71% in assets. (See: Tables 5 and 6)

Figure 4.0: Growth Trend of Assets in Inactive Plans

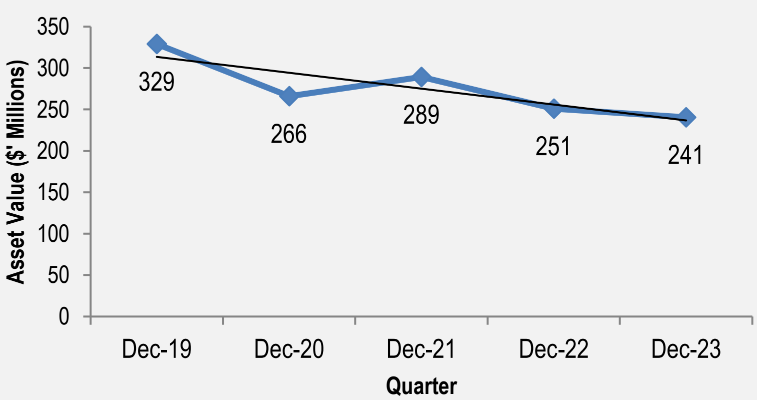
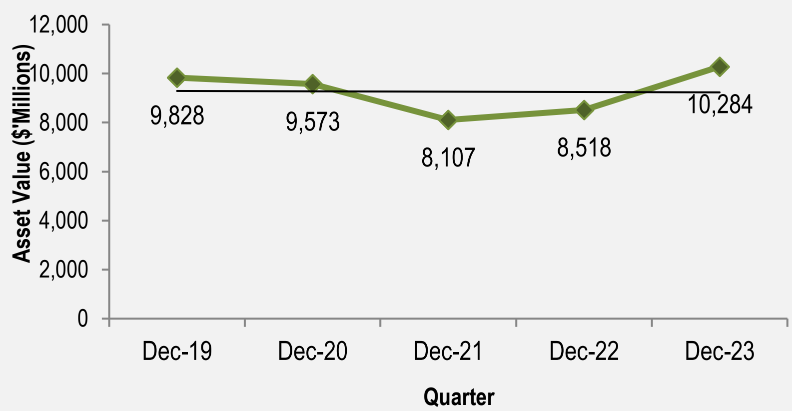


Figure 4.1: Growth Trend of Assets in Terminating Plans



September 2023 was restated for terminating plans.

Table 5: Inactive Pension Plans by Benefit Type			
	Dec-23	Sep-23	Dec-22
Number of Plans			
Defined Benefit	3	3	3
Defined Contribution	13	13	13
Total Inactive Plans	**16**	**16**	**16**
Membership			
Defined Benefit	0	0	1,655
Defined Contribution	53	53	53
Total Membership	**53**	**53**	**1,708**
Asset Values			
Defined Benefit ($' Mil)	176	172	186
Defined Contribution ($' Mil)	65	64	65
Total Asset Values ($' Mil)	**241**	**236**	**251**

Table 6: Terminating Pension Plans by Benefit Type			
	Dec-23	Sep-23	Dec-22
Number of Plans			
Defined Benefit	105	105	105
Defined Contribution	332	331	330
Total Terminating Plans	**437**	**436**	**435**
Membership			
Defined Benefit	79	79	200
Defined Contribution	127	119	382
Total Membership	**206**	**198**	**582**
Asset Values			
Defined Benefit ($' Mil)	4,110	4,142	4,259
Defined Contribution ($' Mil)	6,174	4,338	4,259
Total Asset Values ($' Mil)	**10,284**	**8,479**	**8,518**

Investment Managers

The number of (IMs) within the private pensions industry remained unchanged, for the year ended December 2023. This number includes two (2) Life Insurance Companies ("LICs"), fifteen (15) Securities Dealers ("SDs"), two (2) Credit Unions ("CUs") and six (6) other IMs, bringing the total to twenty-five (25). SDs continue to dominate the pensions industry holding 55.15% of funds under management (FUMs) or $411.33 billion from $398.31 billion in the previous year. They are followed by LICs who manage 36.84

% ($274.72 billion from $266.59 billion) and other IMs who manage 8.01% ($59.75 billion from $57.85 billion) of assets in the industry. With the exception of CUs, all categories of IMs experienced significant growth in FUMs during the year when compared with the 2022 calendar year, with LICs seeing the largest increase of 6.26%. (See Figure 4.2 and Table 7).

Figure 4.2: Investment Managers' Share of Market Assets

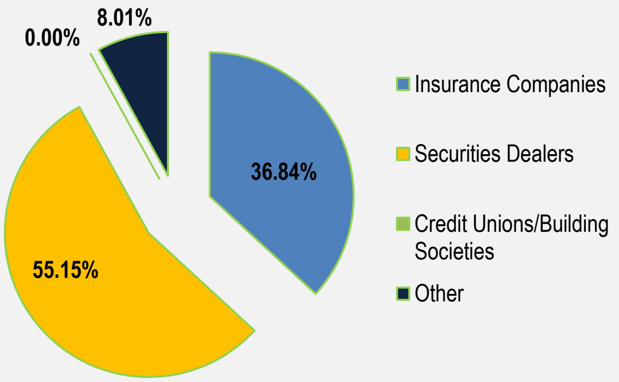


Table 7: Total Assets under Management of Investment Managers							
Investment Managers	Number of Entities Dec 2023	Asset Values Dec 2023 ($'Millions)	Number of Entities Sept 2023	Asset Values Sept 2023 ($'Millions)	Number of Entities Dec 2022	Asset Values Dec 2022 ($'Millions)	Year over Year Growth in Assets
Life Insurance Companies	2	274,722	2	266,585	2	258,543.19	6.26%
Securities Dealers	15	411,325	15	398,311	15	387,852.46	6.05%
Credit Unions	2	-	2	-	2	-	-
Other	6	59,745	6	57,845	6	56,802.61	5.18%
Total	**25**	**745,793**	**25**	**722,742**	**25**	**703,198.26**	**6.06%**

RISK OUTLOOK

The Planning Institute of Jamaica ("PIOJ") estimated a 1.9% growth in the real GDP for quarter 4 of 2023, relative to the corresponding quarter of 2022. This is primarily due to increased productivity capacity in the Mining & Quarrying industry, higher levels of employment and increased consumer confidence associated with heightened job opportunities. Based on preliminary data of a 2.3% increase in airport arrivals in January 2024, there is expected growth for the hotel and restaurant industry. Notwithstanding, the Jamaican economy may experience downside risk relating to plan down-time associated with fairly aged equipment in major industries, adverse weather conditions, and reduced demand for Jamaican goods and services by its main trading partners as they experience weaker than expected growth. Combined with the tight monetary policy of the central bank, these variables may lead to lower quarter-to-quarter incremental asset value growth in the private pensions industry.

As at December 2023, the Bank of Jamaica ("BOJ") reported a point-to-point inflation rate of 6.9%. Unlike the previous quarter, reported inflation was outside the central bank's target range of 4% to 6%, however, throughout most of the year, annual headline inflation persisted on a downward trend since its peak in April 2022 of 11.8%. Similar to a decrease from 9.4% in December 2022, there was a movement in the core point-to-point inflation rate (which removes the impact of food and fuel price changes) from 8.5% (in December 2022) to 5.7% (in December 2023). This deceleration in the rate was primarily facilitated by the BOJ's fiscal policy rate, which has been constant at 7.0% since November 2022 and also due to falling global commodity prices (namely grains, crude oil, and liquid natural gas). 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.

For the quarter ended December 2023, local market interest rates continue to be elevated, which continued to have a negative impact on the business performance of many companies in the economy as they attracted higher borrowing costs. Equity value of the aggregate private pension investment mix over the reporting quarter increased by 3.34%, in line with the JSE All Jamaican Composite Index's increase of 11,225.75 points (or 3.16%). The more encompassing JSE Combined Index, however, declined by 2,230.84 points or 0.65% over the same period. This is indicative of losses in the overseas stocks listed on the local stock exchange. As Stocks and Shares retained its third-place ranking among private pensions industry asset classes, it is emphasized that trustees and investment managers consistently monitor the market, while prudently considering potential losses for foreign investments. Timely execution of appropriate portfolio rebalancing strategies is important, particularly in mitigating downside risk. This proactive approach is essential for securing preservation of the value of members' retirement income, thus safeguarding their financial well-being upon retirement.

SUMMARY

As of December 31, 2023, the Jamaican private pensions business continued to grow, reaching $745.79 billion, a considerable increase of 3.19% and the industry's highest reported asset value. Despite global concerns, the aggregate investment portfolio increased by 6.06% or $42.60 billion over the year, with rises in its three predominant asset classes, namely investment arrangements, government securities, and stocks and shares. There has been a decline in the number of active pension plans for the quarter ending at 362, owing to the termination of one DC plan, however the associated asset value grew by 2.97% from $714.03 billion to $735.27 billion. Additionally, total private pension coverage grew to 11.81% from 11.74% during the period.

Trustees are urged to sustain their active oversight in monitoring, diversifying, and rebalancing plan portfolios, bearing in mind the critical role these efforts play in aligning investments with current market conditions. This tactical approach is essential to protecting members' accrued benefits. The FSC's unwavering dedication to cultivating a resilient environment is demonstrated by its ongoing collaboration with industry stakeholders. This endeavour seeks to improve protective measures and guarantee the welfare of each member and beneficiary in the Jamaican private pension sector.