



*THE PENSION PLAN FOR
THE BANK OF NOVA SCOTIA JAMAICA LIMITED*

ANNUAL REPORT

FOR THE YEAR ENDING

2011 JULY 31

The following Report is provided in compliance with Regulation 14 of the Pensions (Superannuation Funds and Retirement Schemes) (Governance) Regulations, 2006.

1. PERFORMANCE OF THE FUND

1.1 As at 2011 July 31, the assets of the Pension Plan of the Bank of Nova Scotia Jamaica Limited (the Fund) stood at **\$34.001 billion**, which represents an increase of 16% over the Fund at 2010 July 31.

1.2 Below is a Table which shows the Income and Expenditure Accounts for the year ending 2011 July 31 and the previous year. The Table was prepared by the Fund's Actuary, using Audited Financial Statements.

Income and Expenditure Accounts

CONSOLIDATED INCOME AND EXPENDITURE ACCOUNTS FOR THE PERIOD 2009 AUGUST 1 TO 2011 JULY 31¹			
	Year Ended		2009.8.1 to
	2010.7.31	2011.7.31	2011.7.31
	\$M	\$M	\$M
FUND AT BEGINNING OF PERIOD	25,245	29,250	25,245
<u>INCOME</u>			
Employers' Contributions	42	44	86
Employees' Basic Contributions	241	291	532
Employees' Voluntary Contributions	65	75	140
Investment Income	3,440	3,095	6,534
Net Appreciation in Value of Investments	653	2,160	2,813
Gain/(Loss) on Sale of Investments	117	(11)	106
Foreign Exchange Gain	(59)	0	(59)
Total Income	4,499	5,654	10,153
<u>EXPENDITURE</u>			
Commutated Pensions	65	136	201
Retirement Pensions	257	429	686
Refund of Basic Contributions & Interest	64	117	181
Refund of Voluntary Contributions & Interest	10	21	31
Investment Expenses (Management Fees)	55	99	154
FSC Licensing Fees	22	27	49
Irrecoverable GCT	9	24	33
Brokerage and Commissions	6	2	8
Administrative Expenses	6	47	54
Total Expenditure	494	903	1,397
NET INCOME	4,005	4,751	8,756
FUND AT END OF PERIOD	29,250	34,001	34,001

¹ Apparent summation errors due to rounding

Fees and Expenses

- 1.3 Clause 11 of the Trust Deed provides for the payment of all costs incurred in the registration, investment and administration of the Pension Plan out of the Fund.
- 1.4 For the year ending 2011 July 31, a total of **\$99M** of Investment Management fees was paid. Administrative fees amounted to **\$47M** and licensing fees of **\$27M** were paid to the FSC. Other expenses included Brokerage fees and Commissions of **\$2M** and Irrecoverable GCT of **\$24M**.

Portfolio Mix

- 1.5 The Assets of the Fund as at 2011 July 31 are shown below, distributed by type of security:

TYPE OF SECURITY	2011 JULY 31	
	Market Value	% of Fund
	\$M	%
GOJ Securities		
➤ <i>Investment Notes</i>	21,179	62.29
➤ <i>CPI Notes</i>	3,895	11.46
➤ <i>US\$ Benchmark Notes</i>	1,416	4.16
➤ <i>Highway 2000 Bond</i>	1,403	4.13
➤ <i>US\$ Global Bonds</i>	166	0.49
➤ <i>Air Jamaica</i>	37	0.11
Equities	3,177	9.34
Real Estate & Investment Property	1,002	2.94
Repurchase Agreements	247	0.73
Certificates of Deposit	109	0.32
Net Current Assets ²	1,370	4.03
Total	34,001	100.00

² Primarily Interest Receivable – \$1,295 million

1.6 Below is an excerpt from the SIPP which sets out investment guidelines and principles which are appropriate for the needs and objectives of the Fund.

“Aggregate Investment Limits

- *The market value of the individual asset classes will be within the following minimum and maximum aggregate investment limits:*

<i>Asset Class</i>	<i>Minimum</i>	<i>Maximum</i>
<i>Fixed Income (incl. cash)</i>	<i>65%</i>	<i>100%</i>
<i>Equities</i>	<i>0%</i>	<i>25%</i>
<i>Real Estate</i>	<i>0%</i>	<i>15%</i>

- Although adherence to the specified limits is desired, the portfolio may have variations to these limits of plus or minus 5% as a result of changing market conditions.”

The asset mix as at 2011 July 31 was within the guidelines above.

Yield on the Fund

1.7 The Net yield on the Fund for 2010/2011 and the preceding year is compared with the corresponding rate of inflation, as reported by the Statistical Institute of Jamaica, in the table below. The yields are net of Investment Management and FSC Licensing Fees.

YIELD ON FUND			
Plan Year	Net Yield on Fund	Inflation	Real Return on Fund
	%	%	%
2009/2010	16.10	12.44	3.66
2010/2011	17.51	7.65	9.86
2-Year Average	16.80	10.02	6.78

1.8 The Return Expectations as set out in the SIPP is as follows:

“The quantitative performance of the Investment Manager(s) will be considered satisfactory if the Fund achieves at least a 5% annualized real return over every consecutive three-year period.”

This target was met.

Credited Interest Rate

- 1.9 As per the Rules, the interest rate used to accumulate Basic Contributions is set periodically by the Trustees while the interest rate used to accumulate Voluntary Contributions is equal to the yield on the Fund less 1.5%. The Credited Interest Rates for the 2010/2011 Plan Year were:
- Basic Contributions – 8.00% per annum and
 - Voluntary Contributions – 9.74% per annum.

2. GOVERNANCE ACTIVITIES

- 2.1 During the Scheme Year ending 2011 July 31, three (3) Trustees' meetings and one (1) Investment Committee meeting were held.
- 2.2 The Trustees commissioned an actuarial valuation of the Fund as at 2010 July 31. The report on that valuation shows changes in the membership of the Fund since the preceding valuation as at 2008 July 31, as follows:

RECONCILIATION OF MEMBERSHIP	Males	Females	Males & Females
Active Members as at 2008.07.31	604	1,415	2,019
New Entrants	128	210	338
Late Notifications	3	7	10
Non-Vested Terminations	(66)	(120)	(186)
Vested Terminations	(5)	(13)	(18)
Retirements	(12)	(29)	(41)
Deaths	(4)	(1)	(5)
Adjustments ³	3	(6)	(3)
Active Members as at 2010.07.31	651	1,463	2,114
Deferred Vested Pensioners as at 2008.07.31	16	54	70
Vested Terminations	5	13	18
Elected Refunds of Contributions	(4)	(9)	(13)
Commencement of Deferred Pensions	(3)	(20)	(23)
Deaths	-	-	-
Adjustments	1	2	3
Deferred Vested Pensioners as at 2010.07.31	15	40	55
Retirees as at 2008.07.31	66	263	329
New Retirees	12	29	41
Commencement of Deferred Pensions	3	20	23
Adjustments	(6)	8	2
Deaths	(2)	(5)	(7)
Retirees as at 2010.07.31	73	315	388

³ Corrections to the data summarized at the last valuation date

RECONCILIATION OF MEMBERSHIP	Males	Females	Males & Females
Surviving Spouses as at 2008.07.31	9	16	25
New Surviving Spouses	2	3	5
Adjustment	-	1	1
Surviving Spouses as at 2010.07.31	11	20	31
Children as at 2008.07.31	6	19	25
Cessation of Pension	-	(1)	(1)
Children as at 2010.07.31	6	18	24

2.3 The key valuation results were:

- Accrued Liability **\$13.240B**
- Actuarial Value of Fund **\$27.348B**
- Surplus **\$14.108B**
- Solvency Level **207%**
- Required Employers' Contribution Rate, ignoring the surplus **11.45% Pensionable Salary**

2.4 The Actuarial Value of the Fund was determined by adjusting the market value of the assets at the valuation date by an asset reserve. The asset reserve is the total of an Equity and a Fixed Income Reserve. The Equity Reserve was set as the average capital appreciation/depreciation for the inter-valuation period. The Fixed Income Reserve was 25% of the market value of all Fixed Income Securities with maturity less than 5 years.

2.5 The solvency level is the ratio of the Actuarial Value of the Assets to the Liability. The solvency level of the Fund was 207% as at the valuation date (that is, the Actuarial Value of the Fund exceeded the Liability at the valuation date, by **107%**).

2.6 The Actuaries recommended that given the Surplus, the Employers could continue to contribute at the level of **1% Pensionable Salaries**.

Benefit Improvements

2.7 In 2010 November, the Trustees and the Employers approved the following benefit improvements:

- Maximum Pension changed from 70% Final 2-Year Average Pensionable Salary to the Statutory Maximum of 75% Final Remuneration after 37.5 years of service.
- Removal of the salary cap of \$1.875 million in respect of Members' disability pensions and survivors' pensions on the death-in-service of Members.

The improvements were retroactive to 2008 August 1.

3. GENERAL INFORMATION

3.1 As at 2011 July 31, the Trustees, Administrator, Investment Manager, Auditor and Actuary were as follows:

Investment Manager

Scotia Investments Jamaica Limited
7 Holborn Road
Kingston 10

Actuary

Eckler (Consultants + Actuaries)
Producers House
6A Oxford Road
Kingston 5.

Auditor

PricewaterhouseCoopers
Scotiabank Centre
Duke and Port Royal Streets
Kingston.

Administrator

Pensions
HR Shared Services
3rd Floor, Scotiabank Centre
Duke and Port Royal Streets
Kingston.

Trustees

Name	Representing
Mr. Bruce Bowen	Employers
Mr. Bevan Callam	Employers
Mr. Michael Jones	Employers
Mr. Joseph Matalon	Employers
Mr. Hugh Miller	Employers
Ms. Jacqueline Sharp	Employers
Ms. Marie Miller	Pensioners
Ms. Valerie Briscoe	Members
Mrs. Hopelin Hines	Members
Mr. Wasan Oliver	Members
Mr. Damian Todd	Members

Members are reminded to notify the Trustees/Administrators of any corrections to be made to beneficiaries and any other pertinent information.