



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

ANNUAL REPORT

FOR THE YEAR ENDING

2012 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 2012 July 31, the assets of the Pension Plan of the Bank of Nova Scotia Jamaica Limited (the Fund) stood at **\$35.796 billion**, which represents an increase of 5% over the Fund at 2011 July 31.

Income and Expenditure Accounts

1.2 Below is a Table which indicates the Income and Expenditure Accounts for the year ending 2012 July 31 and the previous year. These were prepared by the Fund's Actuary, using Audited Financial Statements at the stated dates.

CONSOLIDATED INCOME AND EXPENDITURE ACCOUNTS FOR THE PERIOD 2011 AUGUST 1 TO 2012 JULY 31			
	Year Ended		2010.8.01 to
	2011.7.31	2012.7.31	2012.7.31
	\$M	\$M	\$M ¹
FUND AT BEGINNING OF PERIOD	29,284	34,001	29,284
ADJUSTMENT	(34)	-	(34)
ADJUSTED FUND AT BEGINNING OF PERIOD	29,250	34,001	29,250
<u>INCOME</u>			
Members' Contributions:			
- Basic	291	295	587
- Voluntary	75	89	164
Employers' Contributions	44	48	93
Investment Income	3,095	2,695	5,789
Net Appreciation in Value of Investments	2,160	(644)	1,516
Foreign Exchange Gain	-	69	69
Gain/(Loss) on Sale of Investments	(11)	(9)	(20)
Total Income	5,654	2,544	8,198
<u>EXPENDITURE</u>			
Pensions	429	356	785
Commuted Pensions	136	68	204
Refunds of Contributions plus Interest	138	97	235
Investment Management Expenses	99	105	204
FSC Licensing Fees	27	31	58
Irrecoverable GCT	24	26	50
Brokerage and Commissions	2	7	10
Administrative Expenses	47	58	105
Total Expenditure	903	748	1,651
NET INCOME	4,751	1,796	6,547
FUND AT END OF PERIOD	34,001	35,796	35,796

¹ Apparent summation errors are due to rounding

Fees and Expenses

- 1.3 The Fund's Statement of Investment Principles and Policies (SIPP) states: *"The following expenses shall be paid from the assets of the Fund:*

• <i>Investment Management fees</i>	• <i>Commissions</i>
• <i>Actuarial Fees</i>	• <i>Stamp Duties</i>
• <i>Accounting/ Audit Fees</i>	• <i>Registration Fees</i>
• <i>Taxes</i>	• <i>Broker's Fees, including Valuator's Fees</i>

Additionally all other charges properly payable or incurred by the Investment Manager in relation to the provision of investment management services will be covered by the Fund."

- 1.4 For the year ending 2012 July 31, a total of **\$105M** of Investment Management fees was paid. Administrative fees amounted to **\$58M** and licensing fees of **\$31M** were paid to the FSC. Brokerage fees and Commissions totalled **\$7M** and GCT of **\$26M** was irrecoverable.

Portfolio Mix

- 1.5 The Assets of the Fund as at 2012 July 31 were distributed, by type of security, as indicated in the table below:

TYPE OF SECURITY	2012 JULY 31	
	Market Value	% of Fund
	\$M	%
Equities	3,726	10.41
Real Estate & Investment Property	1,521	4.25
Corporate Bonds	490	1.37
Certificates of Deposit	194	0.54
Jamaica Government Securities:		
➤ <i>FR Investment Notes</i>	11,959	33.41
➤ <i>VR Investment Notes</i>	9,143	25.54
➤ <i>CPI-Indexed Investment Notes</i>	3,895	10.88
➤ <i>Highway 2000 Bond</i>	1,500	4.19
➤ <i>US\$ Investment Notes</i>	1,460	4.08
➤ <i>US\$ Global Bonds</i>	308	0.86
Net Current Assets	1,600 ²	4.47
Total	35,796	100.00

² Primarily Interest Receivable – \$1,580 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:*

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

- *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 2012 July 31 was within the guidelines above.

Yield on the Fund

The Net yield on the Fund for 2011/2012 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	Yield on Fund	Inflation	Real Return on Fund
	%	%	%
2011/2012	5.72	5.72	-
2010/2011	17.51	7.65	9.86
2-Year Average	11.46	6.68	4.78

- 1.7 The Return Expectations as set out in the SIPP is as follows

“Return Expectations

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

This target was not met.

Credited Interest Rate

- 1.8 The interest rate used to accumulate contributions is set periodically by the Trustees. The rate over the period 2011/2012 was 6.5% per annum.

2. GOVERNANCE ACTIVITIES

2.1 During the Scheme Year ending 2012 July 31, eight Trustees' meetings were held and five Investment Committee meetings were held.

Actuarial Valuation

2.2 The Trustees commissioned an actuarial valuation of the Fund as at 2012 July 31. Changes in the membership of the Fund since the preceding valuation as at 2010 July 31 were as follows:

	Males	Females	Males & Females
Active Members as at 2010.8.1	651	1,463	2,114
New Entrants	145	185	330
Terminations			
- Non-vested	(60)	(109)	(169)
- Vested	(23)	(46)	(69)
New Retirees	(8)	(26)	(34)
Deaths	(1)	0	(1)
Adjustments	1	0	1
Active Members as at 2012.7.31	705	1,467	2,172
DVPs as at 2010.8.1	15	40	55
New Deferred Pensioners	23	46	69
Refunds of Contributions	(19)	(35)	(54)
New Retirees	(9)	(17)	(26)
Adjustments	(1)	(9)	(10)
DVPs as at 2012.7.31	9	25	34
Retirees as at 2010.8.1	73	315	388
Adjustments	(5)	5	0
New Retirees	17	43	60
Deaths	0	(9)	(9)
Retirees as at 2012.7.31	85	354	439
Surviving Spouses as at 2010.8.1	13	18	31
Adjustments	(2)	3	1
New Surviving Spouses	4	0	4
Deaths	(1)	0	(1)
Surviving Spouses as at 2012.7.31	14	21	35
Children as at 2010.8.1	8	16	24
Adjustments	0	0	0
New Children	3	5	8
Cessation of Pension Payments	(1)	(3)	(4)
Children as at 2012.7.31	10	18	28

2.3 The key valuation results were:

- Accrued Liability **\$17.072B**
- Actuarial Value of Fund **\$32.441B**
- Surplus **\$15.368B**
- Solvency Level **190%**
- Required Employer's Contribution Rate Ignoring the surplus **13.67% Pensionable Salaries**

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 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 all Fixed Income Securities with maturity less than 5 years.

2.5 The solvency level is the ratio of the Actuarial Value of Assets to the Liabilities. The Actuarial Value of the Fund was sufficient to cover liabilities at the valuation date, with a **90%** margin.

2.6 The Employer's Required contribution rate is the Employers' cost of benefits expected to be accrued, and Administrative Expenses payable over the year commencing 2012 August 1.

2.7 The Actuaries recommended that the Employers could continue to contribute at the current level of **1%** Pensionable Salaries without jeopardizing the solvency of the Fund. Contributing at this rate would utilize approximately **\$1.44B** of the surplus over the period to the next valuation date, (2014 July 31).

Benefit Improvements

2.8 There were no benefit improvements during the year ending 2012 July 31.

3. GENERAL INFORMATION

3.1 As at 2012 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
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.