



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

**ANNUAL REPORT**

**FOR THE YEAR ENDING**

**2013 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 2013 July 31, the assets of the Pension Plan of the Bank of Nova Scotia Jamaica Limited (the Fund) stood at **\$37.189 billion**, which represents an increase of approximately 4% over the Fund at 2012 July 31.

1.2 Below is a Table which shows the Income and Expenditure Accounts for the year ending 2013 July 31 and the previous year. The Table was prepared by the Fund's Actuary, using Audited Financial Statements for the year ending 2012 July 31 and draft audited Statements for the year ending 2013 July 31.

### Income and Expenditure Accounts

CONSOLIDATED INCOME AND EXPENDITURE ACCOUNTS FOR THE PERIOD 2011 AUGUST 1 TO 2013 JULY 31			
	Year Ended		2011.8.01 to 2013.7.31
	2012.7.31	2013.7.31	
	\$M	\$M	\$M <sup>1</sup>
<b>FUND AT BEGINNING OF PERIOD</b>	<b>34,001</b>	<b>35,796</b>	<b>34,001</b>
<b><u>INCOME</u></b>			
Members' Basic Contributions	295	320	615
Members' Voluntary Contributions	89	100	189
Employers' Contributions	48	41	90
Investment Income	2,695	3,041	5,736
Net Appreciation in Value of Investments	(644)	(1,249)	(1,894)
Foreign Exchange Gain	69	248	317
Gain/(Loss) on Sale of Investments	(9)	(223)	(232)
<b>Total Income</b>	<b>2,544</b>	<b>2,277</b>	<b>4,821</b>
<b><u>EXPENDITURE</u></b>			
Pensions	356	403	759
Commuted Pensions	68	140	208
Refunds of Contributions plus Interest	97	118	215
Investment Management Expenses	105	108	213
FSC Licensing Fees	31	35	66
Irrecoverable GCT	26	19	45
Brokerage and Commissions	7	5	12
Administrative Expenses	58	57	115
<b>Total Expenditure</b>	<b>748</b>	<b>884</b>	<b>1,632</b>
<b>NET INCOME</b>	<b>1,796</b>	<b>1,393</b>	<b>3,188</b>
<b>FUND AT END OF PERIOD</b>	<b>35,796</b>	<b>37,189</b>	<b>37,189</b>

<sup>1</sup> Apparent summation errors are 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 2013 July 31, a total of **\$108M** of Investment Management fees was paid. Administrative fees amounted to **\$57M** and licensing fees of **\$35M** were paid to the FSC. Other expenses included Brokerage fees and Commissions of **\$5M** and Irrecoverable GCT of **\$19M**.

## Portfolio Mix

- 1.5 The Assets of the Fund as at 2013 July 31 are shown below, distributed by type of security:

TYPE OF SECURITY	2013 JULY 31	
	Market Value	% of Fund
	\$M	%
Real Estate & Investment Property	2,392	6.43
GOJ Securities		
➤ <i>Investment Notes</i>	19,389	52.14
➤ <i>GOJ US\$ Global Bonds</i>	487	1.31
➤ <i>Highway 2000 Bond</i>	1,638	4.40
➤ <i>Air Jamaica Bond</i>	20	0.05
➤ <i>US\$ Investments</i>	1,946	5.23
➤ <i>Treasury Bond</i>	81	0.22
➤ <i>CPI Notes</i>	5,008	13.47
Corporate Bonds	686	1.84
Equities	3,839	10.32
Resale Agreements	956	2.57
Certificates of Deposit	125	0.33
Net Current Assets <sup>2</sup>	621	1.67
<b>Grand Total</b>	<b>37,189</b>	<b>100.00</b>

<sup>2</sup> Primarily Interest Receivable –\$568 million

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

**“Aggregate Investment Limits**

- *The market value of the assets in the individual asset classes will be within the following ranges:*

<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 2013 July 31 was within the guidelines above.

**Yield on the Fund**

1.7 The net yields on the Fund for 2012/2013 and the two preceding Plan Years are compared with the corresponding rates 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.

<b>YIELD ON FUND</b>			
<b>Plan Year</b>	<b>Net Yield on Fund</b>	<b>Inflation</b>	<b>Real Return on Fund</b>
	<b>%</b>	<b>%</b>	<b>%</b>
<b>2010/2011</b>	17.51	7.65	9.86
<b>2011/2012</b>	5.72	5.72	-
<b>2012/2013</b>	4.62	9.59	(4.96)
<b>3-Year Average</b>	<b>9.13</b>	<b>7.64</b>	<b>1.49</b>

1.8 The Return Expectations as set out in the SIPP include the following:

*“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 not met.

### **Credited Interest Rate**

- 1.9 As stipulated in 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 net yield on the Fund in which AVCs and Transfer values only are invested, less 1.5%. The Credited Interest Rates for the 2012/2013 Plan Year were:
- Basic Contributions – 5.50% per annum and
  - Voluntary Contributions – 7.27% per annum.

## 2. GOVERNANCE ACTIVITIES

2.1 During the Scheme Year ending 2013 July 31, four (4) Trustees' meetings and one (1) Investment Committee meeting were held.

2.2 The Trustees commissioned an actuarial valuation of the Fund as at 2012 July 31. The report on that valuation shows changes in the membership of the Fund since the preceding valuation as at 2010 July 31, as follows:

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

2.3 The key valuation results were:

▪ Accrued Liability	<b>\$17.027B</b>
▪ Actuarial Value of the Fund	<b>\$32.441B</b>
▪ Surplus	<b>\$15.368B</b>
▪ Solvency Level	<b>190%</b>
▪ Required Employers' Contribution Rate, ignoring the surplus	<b>13.67% Pensionable Salary</b>

2.4 The Actuarial Value of the Fund was determined by adjusting the market value of the assets of the Fund as at the valuation date by an asset reserve. The asset reserve is the total of an Equity Reserve 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 Accrued Liability. The solvency level of the Fund was 190% as at the valuation date (that is, the Actuarial Value of the Fund exceeded the Liability at the valuation date, by **90%**).

2.6 The Actuaries recommended that given the size of the surplus, the Employers could continue to contribute at the 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).

2.7 The Employer's Required contribution rate is the Employers' cost of benefits expected to be accrued over the year commencing 2012 August 1 and a reserve for Administrative Expenses.

**Pension Increases**

2.8 Effective 2012 August 1, Pensioners and Deferred Vested Pensioners received increases in their pensions, as follows:

Date of Retirement / Termination of Service	Percentage Increase (%)
Prior to 2000 June 02	38.20
2000 June 02 to 2008 July 31	24.45
2008 August 01 to 2009 July 31	18.90
2009 August 01 to 2010 July 31	9.78
2010 August 01 to 2011 July 31	4.45
2011 August 01 to 2012 July 31	None

### 3. GENERAL INFORMATION

3.1 As at 2013 July 31, the Trustees, Administrator, Investment Manager, Auditor and Actuary were as follows:

<b>Investment Manager</b>	<b>Actuary</b>
Scotia Investments Jamaica Limited 7 Holborn Road Kingston 10	Eckler (Consultants + Actuaries) Producers House 6A Oxford Road Kingston 5.
<b>Auditor</b>	<b>Administrator</b>
PricewaterhouseCoopers Scotiabank Centre Duke and Port Royal Streets Kingston.	Pensions HR Shared Services 3rd Floor, Scotiabank Centre Duke and Port Royal Streets Kingston.

#### Trustees

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

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