



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

ANNUAL REPORT

FOR THE YEAR ENDING

2015 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 2015 July 31, the assets of the Pension Plan of the Bank of Nova Scotia Jamaica Limited (the Fund) valued **\$43.86 billion**, which represents an increase of approximately 10% over the Fund at 2014 July 31.

1.2 Below is a Table which shows the Income and Expenditure Accounts for the year ending 2015 July 31 and the previous year. The Table was prepared by the Fund's Actuary, using Audited Financial Statements. A copy of the Audited Financial Statements for the 2014/2015 Plan Year is attached.

Income and Expenditure Accounts

CONSOLIDATED INCOME AND EXPENDITURE ACCOUNTS FOR THE PERIOD 2013 AUGUST 1 TO 2015 JULY 31			
	Year Ended		2013.08.01 to
	2014.07.31	2015.07.31	2015.07.31
	\$M	\$M	\$M ¹
FUND AT BEGINNING OF PERIOD	37,188.78	40,000.01	37,188.78
<u>INCOME</u>			
Members' Basic Contributions	363.67	422.77	786.44
Members' Voluntary Contributions	111.36	199.49	310.86
Employers' Contributions	0.50 ²	0.50	1.00
Investment Income	3,102.65	3,042.53	6,145.18
Net Appreciation(Depreciation) in Value of Investments	(57.97)	1,333.62	1,275.66
Foreign Exchange Gain	290.97	126.95	417.92
Gain/(Loss) on Sale of Investments	0.07	7.45	7.52
Total Income	3,811.27	5,133.32	8,944.59
<u>EXPENDITURE</u>			
Pension Payments	482.03	514.01	996.04
Commuted Pensions	100.66	201.83	302.49
Refunds of Contributions plus Interest	171.43	314.55	485.98
Investment Management Expenses	116.41	126.04	242.44
FSC Licensing Fees	36.27	38.15	74.42
Irrecoverable GCT	25.47	28.41	53.88
Brokerage and Commissions	2.32	1.25	3.56
Administrative Expenses	65.45	54.69	120.14
Total Expenditure	1,000.04	1,278.92	2,278.96
NET INCOME	2,811.23	3,854.40	6,665.63
FUND AT END OF PERIOD	40,000.01	43,854.41	43,854.41

¹ Apparent summation errors are due to rounding.

² Contribution receivable

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 2015 July 31, a total of **\$126M** was paid for Investment Management fees. Administrative fees amounted to **\$55M** and licensing fees of **\$38M** were paid to the FSC. Other expenses included Brokerage fees and Commissions of **\$1M** and Irrecoverable GCT of **\$28M**.

Portfolio Mix

- 1.5 The Assets of the Fund as at 2015 July 31 are shown below, distributed by type of security:

TYPE OF SECURITY	AS AT 2015 JULY 31	
	Market Value	% of Fund
	\$M	%
Real Estate & Investment Property	2,614	5.96
GOJ Securities		
➤ <i>FR Investment Notes</i>	10,856	24.75
➤ <i>VR Investment Notes</i>	8,974	20.46
➤ <i>CPI-Indexed Investment Notes</i>	5,008	11.42
➤ <i>Highway 2000 Bond</i>	1,840	4.19
➤ <i>US\$ Global Bonds</i>	1,659	3.78
➤ <i>US\$ Investments Notes</i>	1,121	2.56
➤ <i>Indexed Bonds</i>	301	0.69
➤ <i>US\$ Certificates of Deposit</i>	302	0.69
Equities	5,327	12.15
Repurchase Agreements	2,685	6.12
Corporate Bonds	1,169	2.67
Certificates of Deposit	665	1.52
Net Current Assets ³	1,333	3.04
Grand Total	43,854	100.00

³ Primarily Interest Receivable – \$1,324 million

1.6 Below is an excerpt from the Statement of Investment Policies and Principles (SIPP) which sets out investment guidelines and principles which are appropriate for the objectives of the Fund.

Aggregate Investment Limits

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

Asset Class	Minimum	Maximum
<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. If the weighting remains above the 5% tolerance limit for more than 30 days, the Investment Manager is required to advise the Investment Committee and either actively re-balance as soon as practicable or seek approval from the Investment Committee or the Board of Trustees (if necessary) if electing not to re-balance the portfolio.”*

The asset mix as at 2015 July 31 was within the guidelines stipulated above.

Yield on the Fund

1.7 The net yield on the Fund for each of the four (4) years ending 2015 July 31 is compared with the corresponding rate of inflation, as published 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
	%	%	%
2014/2015	10.85	3.79	7.06
2013/2014	8.52	9.31	(0.79)
2-Year Average	9.68	6.52	3.16
2012/2013	4.62	9.59	(4.96)
2011/2012	5.72	5.72	-
2-Year Average	5.17	7.64	(2.47)

Benchmarks

1.8 The Benchmarks used for performance analysis of the Fund are shown in the table below.

Asset Class	Benchmark
Fixed Income (incl. cash)	<ul style="list-style-type: none">• Average yield on 6 Month Treasury Bills.• Interest Rates on securities issued by the Government of Jamaica and the Bank of Jamaica.
Equities	<ul style="list-style-type: none">• Jamaica Stock Exchange Select Index
Real Estate	<ul style="list-style-type: none">• Consumer Price Index

1.9 For the year ending 2015 July 31, the performance of the Fund compared to the Benchmarks, as advised by the Investment Manager, are as follows:

Asset Class	Benchmark	Actual Return
Fixed Income (incl. cash)	7.19%	8.22%
Equities	41.91%	40.12%
Real Estate	3.79%	8.53%

Credited Interest Rate

1.10 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 Transfer Values and 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 2014/2015 Plan Year were:

- Basic Contributions – 5.50% per annum and
- Voluntary Contributions and Transfer Values – 7.18% per annum.

Late Contributions

1.11 For one (1) Member, Employee Contributions totaling \$233,791 for the months of May and June 2015 were remitted in 2015 September.

2. GOVERNANCE ACTIVITIES

2.1 During the Scheme Year ending 2015 July 31, three (3) Trustees' meetings were held. Additionally, one (1) Trustees' training session was held and two (2) Trustees attended. The SIPP is currently being reviewed and is moving into the final stages of ratification.

2.2 The Trustees commissioned an actuarial valuation of the Fund as at 2014 July 31 and a presentation on that valuation was done in 2014 December. The report on that valuation shows changes in the membership of the Fund since the preceding valuation as at 2012 July 31, as follows:

	Males	Females	Males & Females
Active Members as at 2012.07.31	705	1,467	2,172
New Entrants	92	172	264
Terminations			
- Non-vested	(80)	(97)	(177)
- Vested	(30)	(63)	(93)
New Retirees	(6)	(24)	(30)
Deaths	(2)	(1)	(3)
Adjustments	-	1	1
Active Members as at 2014.7.31	679	1,455	2,134
DVPs as at 2012.07.31	9	25	34
Termination of Vested Members	30	63	93
Contributions refunded to Vested Terminated Members	(22)	(49)	(71)
Contributions refunded to Deferred Pensioners	(1)	(3)	(4)
Commencement of Deferred Pensions	(2)	(9)	(11)
DVPs as at 2014.7.31	14	27	41
Retirees as at 2012.07.31	85	354	439
New Retirees	6	24	30
Commencement of Deferred Pensions	2	9	11
Deaths	(3)	(6)	(9)
Retirees as at 2014.07.31	90	381	471
Surviving Spouses as at 2012.07.31	14	21	35
New Surviving Spouses	2	1	3
Surviving Spouses as at 2014.07.31	16	22	38
Children as at 2012.07.31	9	19	28
New Children	2	-	2
Cessation of Pension Payments	-	(2)	(2)
Children as at 2014.07.31	11	17	28

2.3 The key valuation results were:

▪ Accrued Liability	\$21.565B
▪ Actuarial Value of the Assets	\$37.051B
▪ Surplus	\$15.487B
▪ Solvency Level	172%
▪ Required Employers' Contribution Rate, ignoring the surplus	12.34% Pensionable Salary

2.4 The Actuarial Value of the Fund was determined by reducing the market value of the assets as at the valuation date by an asset reserve equal to the sum of an Equity Reserve and a Fixed Income Reserve. The Equity Reserve was determined as the average capital appreciation/depreciation for the inter-valuation period, but not less than zero. 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 172% as at the valuation date (that is, the Actuarial Value of the Fund exceeded the Liability at the valuation date, by **72%**).

2.6 The Employer's Required Contribution Rate is the Employers' cost of benefits expected to accrue over the year commencing 2014 August 1 and includes a reserve for Administrative Expenses.

2.7 The Actuary recommended that given the size of the surplus, the Employers could continue to contribute at \$500,000 per annum until the next actuarial review of the Fund. Contributing at this rate would utilize approximately **\$1.6B** of the surplus over the period to the next valuation date, (2016 July 31).

Benefit Improvements

2.8 There were no benefit improvements during the year ending 2015 July 31.

3. GENERAL INFORMATION

3.1 BNSJ sponsors a Defined Benefit Pension Plan. The plan is approved by Tax Administration Jamaica (**TAJ**) under the Income Tax Act and by the Financial Services Commission (**FSC**) under the Pensions Act. All but one (1) of the Trustees have received formal approval from the **FSC**.

3.2 As at 2015 July 31, the Investment Manager, Actuary, Auditor, Administrator and Trustees were as follows:

Investment Manager	Actuary
Mr. Brian Frazer Scotia Investments Jamaica Limited 7 Holborn Road Kingston 10. (876) 960-6700	Mrs. Constance Hall Eckler (Consultants + Actuaries) Producers House 6A Oxford Road Kingston 5. (876) 908-1203
Auditor	Administrator
Mr. Paul Williams PricewaterhouseCoopers Scotiabank Centre Duke Street Kingston. (876) 932-8326	Pensions HR Shared Services 3rd Floor, Scotiabank Centre Duke and Port Royal Streets Kingston. (876) 922-1000

Trustees

Name	Representing	
Ms. Jacqueline Sharp	Employers	% Scotiabank Centre, Corner of Duke and Port Royal Streets, Kingston, Jamaica, W.I.
Mr. Bevan Callam	Employers	
Mr. Michael McAnuff Jones	Employers	
Mr. Joseph Matalon	Employers	
Mr. Hugh Miller	Employers	
Ms. Carol Logan	Employers	
Ms. Marie Miller	Pensioners	
Mr. Claude Doyley	Members	
Mrs. Hopelin Hines	Members	
Mr. Wasan Oliver	Members	
Mr. Damian Todd	Members	

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