



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

ANNUAL REPORT

FOR THE YEAR ENDING

2018 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 2018 July 31, the assets of the Pension Plan of the Bank of Nova Scotia Jamaica Limited (the Fund) valued **\$67.55 billion**, which represents an increase of approximately 18% over the Fund at 2017 July 31.

1.2 Below is a Table which shows the Income & Expenditure Accounts for the year ending 2018 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 2017/2018 Plan Year is attached.

Income and Expenditure Accounts

CONSOLIDATED INCOME AND EXPENDITURE ACCOUNTS FOR THE PERIOD 2016 AUGUST 1 TO 2018 JULY 31			
	Year Ended		2016.08.01 to
	2017.07.31	2018.07.31	2018.07.31
	\$M	\$M	\$M ¹
FUND AT BEGINNING OF PERIOD	49,876.70	57,219.19	49,876.70
<u>INCOME</u>			
Members' Basic Contributions	338.77	342.95	681.72
Members' Voluntary Contributions	161.80	189.77	351.58
Employers' Contributions	0.50	0.50	1.00
Investment Income	3,080.88	3,270.38	6,351.25
Net Appreciation in Value of Investments	5,340.07	8,020.96	13,361.02
Foreign Exchange Gain	131.37	215.34	346.71
Gain/(Loss) on Sale of Investments	23.08	18.54	41.61
Total Income	9,076.46	12,058.43	21,134.89
<u>EXPENDITURE</u>			
Pension Payments	713.34	854.98	1,568.32
Commuted Pensions	377.19	290.06	667.25
Refunds of Contributions plus Interest	298.32	203.84	502.16
Investment Management Expenses	210.74	198.50	409.23
FSC Licensing Fees	40.70	52.29	92.98
Irrecoverable GCT	7.83	54.17	62.00
Brokerage and Commissions	14.35	9.22	23.57
Administrative Expenses	71.51	67.04	138.55
Total Expenditure	1,733.97	1,730.10	3,464.07
NET INCOME	7,342.49	10,328.34	17,670.82
FUND AT END OF PERIOD	57,219.19	67,547.53	67,547.53

¹ 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 2018 July 31, a total of **\$199M** was paid for Investment Management fees. Administrative fees amounted to **\$67M** and licensing fees of **\$52M** were paid to the FSC. Other expenses included Brokerage fees and Commissions of **\$9M** and Irrecoverable GCT of **\$54M**.

Portfolio Mix

- 1.5 The Assets of the Fund as at 2018 July 31 are shown below, distributed by type of security:

TYPE OF SECURITY	AS AT 2018 JULY 31	
	Market Value	% of Fund
	\$M	%
Equities	19,813	29.33
Real Estate	3,248	4.81
Corporate Bonds	1,755	2.60
Certificates of Deposit	644	0.95
Repurchase Agreements	378	0.56
Unit Trusts	1,665	2.47
GOJ Securities		
➤ <i>FR Investment Notes</i>	19,134	28.33
➤ <i>VR Investment Notes</i>	7,516	11.13
➤ <i>CPI-Indexed Investment Notes</i>	6,498	9.62
➤ <i>Indexed Bonds</i>	-	-
➤ <i>Highway 2000 Bond</i>	2,027	3.00
➤ <i>US\$ Investments Notes</i>	-	-
➤ <i>Treasury Bonds</i>	76	0.11
➤ <i>US\$ Global Bonds</i>	4,216	6.24
Net Current Assets ²	577	0.85
Grand Total	67,548	100.00

² Primarily Interest Receivable – \$754 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

- o *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
Fixed Income (incl. cash)	50%	100%
Equities	0%	30%
Real Estate	0%	20%

- o *Although adherence to the specified limits is desired, the portfolio may have variations to the limits as a result of changing market conditions. If the variations to the specified limits remain for more than 90 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. This should always be in keeping with applicable legislation.”*

The asset mix as at 2018 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 2018 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
	%	%	%
2017/2018	19.75	3.17	16.57
2016/2017	16.81	4.57	12.24
2-Year Average	18.27	3.87	14.40
2015/2016	15.42	2.16	13.27
2014/2015	10.85	3.79	7.06
2-Year Average	13.11	2.97	10.14

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)	• Customized GOJ JMD Fixed Income Index
Equities	• Jamaica Stock Exchange Main Index
Real Estate	• Consumer Price Index

1.9 For the year ending 2018 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)	44.00%	17.06%
Equities	31.12%	28.14%
Real Estate	3.17%	5.43%

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 Additional Voluntary Contributions (**AVCs**) is equal to the net yield on the Fund in which only the **AVCs** and Transfer values are invested, less 1.5%. The Credited Interest Rates for the 2017/2018 Plan Year were:

- Basic Contributions – 8.00% per annum and
- Voluntary Contributions and Transfer Values – 6.05% per annum.

Late Contributions

1.11 Members' Contributions for the month of October 2017 were remitted on 2017 November 8. There were no instances in the year where contributions were overdue for more than a month.

2. GOVERNANCE ACTIVITIES

2.1 During the Scheme Year ending 2018 July 31, four (4) Trustees' meetings were held. Additionally, the SIPP is currently being reviewed and expected to be ratified soon.

2.2 The Trustees commissioned an actuarial valuation of the Fund as at 2018 July 31. The report on that valuation shows changes in the membership of the Fund since the preceding valuation as at 2016 July 31, as follows:

	Males	Females	Males & Females
Active Members as at 2016.07.31	646	1,276	1,922
New Entrants	47	79	126
Vested Terminations	(43)	(100)	(143)
Non-vested Terminations	(80)	(114)	(194)
New Retirees	(21)	(39)	(60)
Deaths	(2)	(3)	(5)
Active Members as at 2018.7.31	547	1,099	1,646
Deferred Pensioners as at 2016.07.31	16	45	61
New Deferred Pensioners	25	34	59
Contributions Refunded	-	(11)	(11)
Commencement of Deferred Pensions	(5)	(6)	(11)
Deferred Pensioners as at 2018.7.31	36	62	98
Retirees as at 2016.07.31	100	426	526
New Retirees	21	39	60
Commencement of Deferred Pensions	5	6	11
Deaths	(2)	(12)	(14)
Retirees as at 2018.07.31	124	459	583
Surviving Spouses as at 2016.07.31	19	23	42
New Surviving Spouses	4	2	6
Deaths	0	(3)	(3)
Surviving Spouses as at 2018.07.31	23	22	45
Children as at 2016.07.31	8	13	21
New Children	1	1	2
Cessation of Pension Payments	(2)	(3)	(5)
Children as at 2018.07.31	7	11	18

2.3 The key valuation results were:

- Actuarial Liability with Reserve for Future Pension Increases **\$33.106 billion**
- Actuarial Value of the Assets **\$59.269 billion**
- Surplus **\$26.163 billion**
- Solvency Level **179%**
- Required Employers' Contribution Rate, ignoring the surplus and without reserve for future pension increases **9.57% 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 of \$8.3 billion established by the actuary.

2.5 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, as at 2020 July 31.

Pension Increases

2.6 Pensioners and Deferred Vested Pensioners received increases in their pensions effective 2016 August 1 and paid in 2017 October, as follows:

Period Since Last Increase/ Date of Retirement	Percentage Increase (%)
At least 2 years	4.52
One, but less than 2 years	1.62
Less than One Year	None

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 of the Trustees have received formal approval from the **FSC**.

3.2 As at 2018 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) ICAJ Building 8 Ruthven Road Kingston 10. (876) 908-1203
Auditor	Administrator
Mr. Paul Williams PricewaterhouseCoopers Scotiabank Centre Duke Street Kingston. (876) 922-6230	Pensions HR Shared Services 3rd Floor, Scotiabank Centre Duke and Port Royal Streets Kingston. (876) 922-1000

Trustees

Name	Representing	
Mr. Bevan Callam	Employers	% Scotiabank Centre, Corner of Duke and Port Royal Streets, Kingston, Jamaica, W.I.
Ms. Kiyomi Daniel	Employers	
Mr. David Noel	Employers	
Ms. Marcia Gaudet	Employers	
Mr. Hugh Miller	Employers	
Dr. Adrian Stokes	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.