



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

ANNUAL REPORT

FOR THE YEAR ENDING

2019 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 2019 July 31, the assets of the Pension Plan of the Bank of Nova Scotia Jamaica Limited (the Fund) valued **\$81.54 billion**, which represents an increase of approximately 21% over the Fund at 2018 July 31.

1.2 Below is a Table which shows the Income & Expenditure Accounts for the year ending 2019 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 2018/2019 Plan Year is attached.

CONSOLIDATED INCOME AND EXPENDITURE ACCOUNTS FOR THE PERIOD 2017 AUGUST 1 TO 2019 JULY 31			
	Year Ended		2017.08.01 to
	2018.07.31	2019.07.31	2019.07.31
	\$M	\$M	\$M ¹
FUND AT BEGINNING OF PERIOD	57,219.19	67,547.53	57,219.19
<u>INCOME</u>			
Members' Basic Contributions	342.95	332.75	675.70
Members' Voluntary Contributions	189.77	212.03	401.80
Employers' Contributions	0.50	0.50	1.00
Investment Income	3,270.38	3,539.14	6,809.52
Net Appreciation in Value of Investments	8,020.96	10,628.16	18,649.12
Foreign Exchange Gain	215.34	4.05	219.39
Gain/(Loss) on Sale of Investments	18.54	1,250.27	1,268.80
Total Income	12,058.43	15,966.89	28,025.32
<u>EXPENDITURE</u>			
Pension Payments	854.98	949.55	1,804.54
Commuted Pensions	290.06	302.40	592.46
Refunds of Contributions plus Interest	203.84	202.77	406.61
Investment Management Expenses	198.50	242.09	440.59
FSC Licensing Fees	52.29	62.11	114.40
Irrecoverable GCT	54.17	54.05	108.22
Brokerage and Commissions	9.22	79.48	88.70
Administrative Expenses	67.04	82.19	149.23
Total Expenditure	1,730.10	1,974.64	3,704.74
NET INCOME	10,328.34	13,992.25	24,320.58
FUND AT END OF PERIOD	67,547.53	81,539.77	81,539.77

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 2019 July 31, a total of **\$242M** was paid for Investment Management fees. Administrative fees amounted to **\$82M** and licensing fees of **\$62M** were paid to the FSC. Other expenses included Brokerage fees and Commissions of **\$79M** and Irrecoverable GCT of **\$54M**.

Portfolio Mix

- 1.5 The Assets of the Fund as at 2019 July 31 are shown below, distributed by type of security:

TYPE OF SECURITY	AS AT 2019 JULY 31	
	Market Value	% of Fund
	\$M	%
Equities	29,472	36.14
Corporate Bonds	3,388	4.15
Certificates of Deposit	2,664	3.27
Real Estate	2,629	3.22
Unit Trusts	1,758	2.16
Repurchase Agreements	438	0.54
GOJ Securities		
➤ <i>FR Investment Notes</i>	17,794	21.82
➤ <i>VR Investment Notes</i>	7,517	9.22
➤ <i>CPI-Indexed Investment Notes</i>	7,399	9.07
➤ <i>US\$ Global Bonds</i>	4,722	5.79
➤ <i>Highway 2000 Bond</i>	2,144	2.63
➤ <i>Indexed Bonds</i>	150	0.18
➤ <i>Treasury Bills</i>	135	0.17
Net Current Assets ²	1,329	1.63
Grand Total	81,540	100.00

² Primarily Interest Receivable of \$751 million and \$436 million for the purchase of shares that was not yet settled at the end of the Plan Year.

1.6 Below are the investment limits approved by the Board of Trustees.

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>	50%	100%
<i>Equities</i>	0%	37%
<i>Real Estate</i>	0%	20%

- *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.”*

As at 2019 July 31, all asset classes were within the limits stipulated above.

Yield on the Fund

1.7 The net yield on the Fund for each of the four (4) years ending 2019 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, FSC Licensing Fees, Irrevocable GCT and Brokerage and Commissions.

YIELD ON FUND			
Plan Year	Net Yield on Fund	Inflation	Real Return on Fund
	%	%	%
2018/2019	22.35	4.31	18.04
2017/2018	19.75	3.17	16.57
2-Year Average	21.04	3.74	17.30
2016/2017	16.81	4.57	12.24
2015/2016	15.42	2.16	13.27
2-Year Average	16.11	3.35	12.76

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 2019 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)	7.18%	6.35%
Equities	71.77%	64.22%
Real Estate	4.31%	17.64%

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 2018/2019 Plan Year were:

- Basic Contributions – 10.00% per annum and
- Voluntary Contributions and Transfer Values – 2.20% per annum.

Late Contributions

1.11 There were no late contributions for the period under review.

2. GOVERNANCE ACTIVITIES

2.1 During the Scheme Year ending 2019 July 31, three (3) Trustees' meetings were held and the Trustees participated in Governance Training after the end of the Plan Year in 2019 September. Additionally, the SIPP is currently being reviewed.

2.2 The Trustees commissioned an actuarial valuation of the Fund as at 2018 July 31 and a presentation on that valuation was done in 2019 April. 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 Scotiabank's greatest asset continues to be its people and is committed to providing compensation and benefit programs that serve its employees and retirees well. In light of this the Board of Trustees approved an increase to our Pensioners and Deferred Vested Pensioners as per the following:

- The increase was effective from 2018 August 1,
- The increase were granted based on 100% (instead of 75%) inflation against applicable inflation rate of 4.57% and 3.17% respectively
- The minimum pension of \$25,000.00 per month was increased to \$35,000.00 based on the approval of the Tax Administration of Jamaica.

2.7 The pension increases were paid as follows:

Period Since Last Increase/ Date of Retirement	Percentage Increase (%)
At least 2 years	7.88
One, but less than 2 years	3.17
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 2019 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 Jamaica Limited 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	
Dr. Adrian Stokes	Employers	
Ms. Marie Miller	Pensioners	
Mr. Claude Doyley	Members	
Dr. 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.