

# Scotia Investments Jamaica Pension Fund

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FSC registration # P-08.0925

**Annual Report for the year ending  
September 30, 2018**

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I. Audited Financial Statements

# Chairman's Report

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Scotia Investments Jamaica Pension Fund ("the Plan") (formerly the Pension Plan for the Employees of the DB&G Group of Companies) is a Defined Contribution (DC) plan for all permanent employees of Scotia Investments Jamaica Limited ("SIJL").

The Trustees, supported by the Investment Managers, develop and monitor the Plan's Statement of Investment Policies and Principles (SIPP) which includes the Plan's risk and return objectives and target asset mix ranges. As a Defined Contribution pension plan, the primary goal of the Fund is to acquire suitable assets to generate income and growth which, together with contributions from members and employers, will provide for the current and future benefits.

In addition to the Investment Manager, the Board of Trustees also engages a number of advisors to assist with the management of the Plan. These include our Auditors who have responsibility for auditing the Fund and providing an opinion to the Trustees, the Actuaries who has responsibility for performing the actuarial valuations on the assets and liabilities of the Fund.

As Trustees we are committed to achieving the Plan's goal and will continue to work with our professional advisors to ensure that it is achieved. The Investment Managers continue to manage the Fund in accordance with the SIPP (dated August 20, 2018). This will help to ensure that we continue to develop and maintain sound governance practices and carefully monitor the investment performance of the Plan in the best interest of the members.

We remain committed to our goal to acquire suitable assets to generate sustainable growth, which together with contributions from members and employers, will provide for the current and future benefits.

Lissant Mitchell

Chairman, Scotia Investments Jamaica Limited Pension Fund

# Investment Report

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## Overview

Scotia Investments Jamaica Pension Plan (“the Plan”) is a defined contribution plan for all permanent employees of Scotia investments Jamaica Limited up to the age of 65 years of age.

At September 30, 2018 the Plan had 131 members inclusive of deferred members and one pensioner. Membership at the beginning of the year was 129, during the year twenty-five (25) new members joined the plan and there were twenty-three (23) members leaving the Plan. Membership in the Plan was broken down as follows:

Member Status	2014	2015	2016	2017	2018
Active	168	145	138	129	130
Pensioner	2	1	1	1	1

## Benefits

On retirement, a member’s pension is based on the member’s basic and voluntary contributions with interest, the sponsor’s contributions on the member’s behalf with interest, and a proportional share of the retirement reserve fund.

Vesting occurs after a minimum of seven (7) years of service.

## Contributions

Contributions are received in respect of active members from the members themselves and also from the employer. Members are required to contribute to the Plan at a basic rate of 5% of their annual gross salary; this is matched by the employer. Additionally, members may also elect to contribute an additional 10%, this additional amount is not matched by the employer. The contributions are deducted from the employees’ salaries monthly by the payroll department and then paid over to the Investment Manager, within one (1) week of the end of the month.

## Administration

The Plan is administered by a Board of Trustees who administers the Plan in accordance with The Pensions (Superannuation Funds and Retirement Schemes) Act, 2004 and Regulations as well as the Statement of

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Investment Principles and Policies (SIPP) and the Trust Deed. Responsibility for daily administration of the Plan is delegated to the Administrator, the Bank of Nova Scotia Jamaica Limited. The Board of Trustees is comprised of employer and member nominated Trustees. Member nominated Trustees can be removed by a majority vote of the active members of the plan or through resignation from the board or the company. Employer nominated Trustees may be removed by a resolution of the chairman of the board or through resignation from the board or the company.

The list of Trustees of the Fund as at September 30, 2018 are:

Name	Position	Email addresses	Telephone #
Lissant Mitchell	Sponsor Trustee (Chairman)	Lissant.mitchell@scotiabank.com	876-960-6700
Vanessa Scott	Sponsor Trustee	Vanessa.scott@scotiabank.com	876-922-1000
Marcia Gaudet	Sponsor Trustee	Marcia.gaudet@scotiabank.com	876-922-1000
Marsha Hall	Member Trustee	Marsha.hall@scotiabank.com	876-960-6700

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

In addition, the Board of Trustees engages a number of consultants and specialists to assist them with managing the funds.

These include:

Type of service provided	Name and contact information for service provider
Investment Manager	Scotia Investment Jamaica Limited 7 Holborn Road Kingston 5, Telephone: 960-6700
Administrator	The Bank of Nova Scotia Jamaica Limited Scotiabank Centre Duke & Port Royal Street, Kingston Telephone: 922-1000

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Bankers	The Bank of Nova Scotia Jamaica Limited Scotiabank Centre Duke & Port Royal Street, Kingston Telephone: 922-1000
Actuary	Duggan Consulting Limited 23 Lady Musgrave Road Kingston 5 Telephone: 978-1659/978-7325
Auditors	PriceWaterhouseCoopers Scotiabank Centre Duke & Port Royal Street, Kingston Telephone: 922-6230
Attorneys	Livingston Alexander & Levy 72 Harbour Street Kingston Telephone 922-6310-9

## Internal Controls

The Plan's accounting system and related system of internal controls are designed to provide reasonable assurance that transactions are properly authorized and recorded, assets are safeguarded and financial records are properly maintained to provide reliable information for use in the preparation of financial statements.

## Investment Strategy

The Fund's investment strategy is to maximize return at an appropriate level of risk while giving due consideration to:

- The demographic characteristics of the members
- The Fund's solvency and recommendations included in the most recent Actuarial Valuation, including ad hoc augmentation to pension benefits
- Risk characteristics of the asset classes and investments approved for the Fund
- Historical returns of the Fund
- Prevailing economic and market conditions
- Capital markets outlook and expected returns

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- Liquidity needed for benefit payments

This strategy is pursued through the following strategic asset allocation:

Asset Class	Minimum	Maximum
Fixed Income (incl. cash)	50%	90%
Equities	>10%	50%
Real Estate	0%	20%

The Table below outlines the actual asset allocations for the last five years.

## Actual Asset Allocation 2014 - 2018

Asset Class	Actual 2014	Actual 2015	Actual 2016	Actual 2017	Actual 2018
Fixed Income (incl. cash)	74.77%	71.96%	56.98%	45.60%	53.07%
Equities	20.31%	20.87%	36.69%	48.37%	41.80%
Real Estate	4.88%	7.17%	6.33%	6.03%	5.13%

The asset allocation was in line with the parameters stipulated in the governing Statement of Investment Policies and Principles

The fund return for the financial year ended September 2018 was 19.07% comprising Fixed Income 12.78%, Real Estate 9.02% and Equities 26.49%.

## Investment Performance

The return for the fixed income asset class was influenced by a general decline in local market interest rates which has a positive impact on fixed rate bond prices in the Fund.

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The local equities market had strong positive contribution for the year as it benefitted from the uptick in the local equities market while the real estate asset class' performance was positively influenced by higher property valuations and increase in income yields.

The historical fund performance is highlighted in the table below:

Year	Equity Return	Fixed Income Return	Real Estate	Total Return	Inflation	Real Return
Oct 17-Sept-18	26.49%	12.78%	9.02%	19.07%	4.33%	14.74%
Oct 16-Sept-17	57.37%	10.23%	15.19%	27.69%	4.61%	23.08%
Oct 15- Sept-16	60.75%	11.18%	15.12%	21.72%	1.83%	19.89%
Oct 14- Sept-15	33.78%	9.12%	16.66%	14.51%	1.81%	12.70%
Oct 13- Sept-14	-0.54%	10.46%	9.07%	7.29%	9.03%	-1.74%
Oct-12 - Sep-13	-0.23%	8.52%	8.71%	6.07%	10.45%	-4.38%

## **Statement of Investment Policies and Principles**

The Plan is required to establish a Statement of Investment Policies and Principles (SIPP); the SIPP was last reviewed and approved August 20, 2018. The Trustees, supported by its professional advisors monitors and develops the investment policy to target the Plan's main investment objectives, which is to acquire suitable assets of appropriate liquidity which will generate income and capital growth to meet, together with contributions from members and employer, the cost of current and future benefits which the Fund provides.

## **Risk management**

The Plan risk management Framework consists of three key element:

- Risk Governance
- Risk Appetite
- Risk Management techniques

The Plan is exposed to a variety of investment risks as a result of its investment activities. These risks include market risk, which includes interest rate risk, foreign currency exchange risk, equity price risk,



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credit risk, operational risk and liquidity risk. The Plan manages and mitigates these risks by establishing a risk governance structure which includes investment policies which are reviewed and approved by the Board of Trustees at least annually. The policies contain risk limits and risk management provisions that govern investment decisions and are designed to achieve the objectives of the Board and are updated to ensure consistency with risk taking activities, and relevance to the Plan and financial strategies.

These risks are closely monitored and managed by:

- diversifying the asset classes, diversifying within each individual asset class and diversifying by manager style;
- setting performance goals and objectives and establishing benchmark performance expectations to measure progress towards the attainment of these goals;
- retaining an investment manager who monitors the investment performance of the Assets of the Plan on a quarterly basis and reports to the Board on investment manager-related issues that may have an impact on Plan performance; and
- reviewing quarterly reports from the Investment Manager on compliance with the Investment Policy throughout the reporting period.

## **Asset mix**

Subject to requirements and restrictions imposed by both The Act and Regulations and the SIPP, the Plan must include sufficient short-term investments to meet liquidity needs. Government of Jamaica securities, corporate bond issues, equities, real estate and short-term investments are permissible investments.

## **Performance measurement**

Investment performance is monitored and evaluated on a regular basis. The portfolio risk is monitored annually by measuring the duration gap between the assets and liabilities. Long-term solvency is also monitored by comparing the present value of the asset cash flow stream to the present value of the estimated liability payments.

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## **Actuarial Report Review**

The Board of Trustees also retains an independent actuary to value the accrued benefit obligations based on economic and demographic assumptions. Duggan Consulting Limited was retained to perform actuarial valuations of the assets and liabilities of the Pension Plan as at September 30, 2018. The report is currently being prepared by the Plan's Actuaries.

# Governance Activities

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An overview of Scotia Investments Jamaica Pension Fund Governance Activities for the year ended September 30, 2018 is provided below;

- Currently there is no training schedule for new and existing trustees.
- There was also no benefit adjustment to the Plan's current constitutive documents.

## **Contributions**

There were no outstanding or late contributions for the period ended September 30, 2018.

The interest rate used to accumulate contributions on members account for the period ended September 30, 2018 was 16.0%.

As at September 30, 2018, the assets of the Plan stood at J\$1,618 billion, which represents an increase of 19.54% over the Fund year ended September 30, 2018.

### Income and Expenditure Accounts

Below is a Table which indicates the Income and Expenditure Accounts for the year ending September 30, 2018 and the previous year. This is an excerpt from the audited Financial Statement that was prepared by our auditor PriceWaterhouseCoopers. A copy of the Audited Financial Statements for the 2017/2018 Plan Year is attached.

CONSOLIDATED INCOME AND EXPENDITURE ACCOUNTS FOR PERIOD OCTOBER 1, 2017 TO SEPTEMBER 30, 2018		
	YEAR ENDED	
	9/30/2018 \$'000	9/30/2017 \$'000
FUND AT BEGINNING OF PERIOD	1,354,109	1,187,802
ADJUSTMENT	-	-
ADJUSTED FUND AT BEGINNING OF PERIOD	1,354,109	1,187,802
INCOME		
MEMBER'S CONTRIBUTION		
BASIC	22,781	22,890
VOLUNTARY	19,040	15,619
EMPLOYER'S CONTRIBUTION	22,781	22,890
INVESTMENT INCOME	65,045	69,276
NET APPRECIATION IN VALUE OF INVESTMENTS	107,277	237,498
FOREIGN EXCHANGE GAIN	18,635	1,760
GAIN / (LOSS) ON SALE OF INVESTMENTS	63,678	3,102
TOTAL INCOME	278,122	373,037
EXPENDITURE		
RETIREMENT PENSIONS	112	649
REFUNDS OF CONTRIBUTIONS PLUS INTEREST	33,706	182,350
INVESTMENT MANAGEMENT EXPENSES	12,632	16,808
IRRECOVERABLE GCT	3,402	3,233
AUDIT FEES	2,300	2,300
OTHER ADMINISTRATIVE EXPENSES	2,553	1,390
INTEREST TO BE REFUNDED TO THE GOVERNMENT	-	-
TOTAL EXPENDITURE	54,592	206,730
NET INCOME	264,645	166,307
FUND AT END OF PERIOD	1,618,754	1,354,108

## Expenses of the Plan

Administrative expenses are paid from the Plan's income. Administrative expenses include fees for our professional advisors, including our Actuary, Auditors, Investment Managers as well as other administrative cost. The Fees paid by the Fund over the period under review are broken down as follows:

Payee	2014	2015	2016	2017	2018
	\$000	\$000	\$000	\$000	\$000
Investment Manager	10,485	12,247	17,103	16,808	12,632
Actuaries		--			
Auditors	968	1,058	2,300	2,300	2,300
Other Expenses	2,883	2,599	2,512	4,623	5,954

# Appendix

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