

JAMAICA



DEMOGRAPHICS AND MACROECONOMICS

Nominal GDP (EUR bn)	1 090
GDP per capita (USD)	5 571
Population (000s)	2 708
Labour force (000s)	1 302
Employment rate	90
Population over 65 (%)	
Dependency ratio ¹	

Data from 2008 or latest available year.
 1. Ratio of over 65-year-olds the labour force.
 Source: OECD, various sources.

COUNTRY PENSION DESIGN

STRUCTURE OF THE PENSION SYSTEM

Public pensions

- The public pensions covers all employed and self-employees
- Both employers and employees make contributions

Private pensions: occupational (voluntary)

- The Superannuation Fund (SF) is a group retirement arrangement, often called as an occupational fund or a company pension fund
- Contribution is from employer, not necessarily from employee
- It can be a DC or DB arrangement

Private pensions: personal (voluntary)

- A RS scheme exist, which is an individual plan for the following categories, i.e. self-employees, employees who are not active members of an approved SF, and employers who have not set up an approved SF
- It is a DC plan in nature

Source: OECD Global Pension Statistic.

PENSION FUNDS DATA OVERVIEW

	2001	2002	2003	2004	2005	2006	2007	2008
Assets								
Total investments (National currency millions)	ND	ND	ND	98,533	ND	131,916	173,912	196,410
Total investments, as a % of GDP	ND	ND	ND	15.89	ND	16.74	19.56	18.00
Of which Assets overseas, as a % of Total investment:								
• Issued by entities located abroad	ND	ND	ND	ND	ND	ND	ND	ND
• Issued in foreign currencies	ND	ND	ND	ND	ND	ND	14.84	6.37
By financing vehicle (as a % of Total investments)								
• Pension funds	ND	ND	ND	100.00	ND	100.00	100.00	100.00
• Book reserves	ND	ND	ND	ND	ND	ND	ND	ND
• Pension insurance contracts	ND	ND	ND	ND	ND	ND	ND	ND
• Other financing vehicle	ND	ND	ND	ND	ND	ND	ND	ND
By pension plan type								
• Occupational assets	ND	ND	ND	98,533	ND	131,916	173,912	196,410
• % of DB assets	ND	ND	ND	71.98	ND	59.81	65.50	ND
• % of DC (protected and unprotected) assets	ND	ND	ND	28.02	ND	40.19	34.50	ND
• Personal assets	ND	ND	ND	ND	ND	ND	ND	ND
Structure of Assets (as a % of Total investments)								
Cash and Deposits	ND	ND	ND	ND	ND	ND	0.30	1.80
Fixed Income	ND	ND	ND	ND	ND	ND	52.62	54.41
Of which:								
• Bills and Bonds issued by the public and private sector	ND	ND	ND	ND	ND	ND	52.34	53.38
• Loans	ND	ND	ND	ND	ND	ND	0.28	1.03
Shares	ND	ND	ND	ND	ND	ND	19.89	10.76
Land and Buildings	ND	ND	ND	ND	ND	ND	8.69	6.69
Other Investments	ND	ND	ND	ND	ND	ND	18.50	26.34
Contributions and Benefits								
Total Contributions, as a % of GDP	ND	ND	ND	ND	ND	ND	ND	ND
• Employer Contributions, as a % of Total contributions	ND	ND	ND	ND	ND	ND	ND	ND
• Employee Contributions, as a % of Total contributions	ND	ND	ND	ND	ND	ND	ND	ND
Total Benefits, as a % of GDP	ND	ND	ND	ND	ND	ND	ND	ND
• % of benefits paid as a Lump sum	ND	ND	ND	ND	ND	ND	ND	ND
• % of benefits paid as a Pension	ND	ND	ND	ND	ND	ND	ND	ND
Membership (in thousands of persons)¹								
Total membership	ND	ND	ND	68	ND	60	ND	ND
• % of Active membership	ND	ND	ND	100.00	ND	100.00	ND	ND
Of which: % of Deferred membership	ND	ND	ND	ND	ND	ND	ND	ND
• % of Passive membership	ND	ND	ND	ND	ND	ND	ND	ND
Other beneficiaries	ND	ND	ND	ND	ND	10	ND	ND
Number of Pension Funds/Plans								
Total number of funds	ND	ND	ND	ND	ND	530	ND	ND
Total number of plans	ND	ND	ND	ND	ND	ND	ND	ND

Note: Data refer only to Jamaican pension funds.

1. Membership figures reflect 'membership' rather than 'people'. Therefore a person may be a member of more than one types of plan at any one time, particularly if the person has a number of employments in the year.

ND = data not available

NA = data not applicable

Source: OECD, Global Pension Statistics

JAMAICA: THE PENSION SYSTEM'S KEY CHARACTERISTICS

PUBLIC PENSION

The public pension tier covers all employed persons and the self-employed. Employees and employers each contribute 2.5% of gross earnings, with maximum earnings for contribution purposes amounting to J\$9,620 a week or J\$500,000 a year. The self-employed pay J\$20 a week plus a maximum of 5% of insurable annual earnings.

Old-age pension benefits become payable at age 65 (men) or 60 (women) with 1,443 weeks of contributions, including an annual average of 39 weeks of paid or credited contributions. A partial pension is paid for annual average contributions of between 13 and 38 weeks. There is no early pension, but it is possible to defer the pension. A lump sum is paid if the insured has at least 52 weeks of 1 year of contributions, but does not meet the qualifying conditions for an old-age pension.

The old-age pension is a basic benefit of J\$900 a week with an annual average of 39 weeks of paid or credited contributions. It is reduced to J\$675 a week with annual average contributions of between 26 and 38 weeks, and to J\$450 for 13 to 25 weeks, plus an earnings-related benefit of J\$0.06 a week for every J\$13 of employer-employee contributions paid during the working lifetime. A spouse's supplement of J\$300 is paid for a dependent wife aged 55 or a disabled husband aged 60 or older.

OCCUPATIONAL VOLUNTARY

Coverage

Generally, when a SF plan is established all permanent full time employees of the sponsor are required to be members of the plan and are afforded coverage. The eligibility criteria for membership may stipulate a minimum age and period of service prior to enrolment.

Contributions

The sponsor(s) will establish a contributory or non-contributory SF i.e determines whether or not employees will contribute to the SF. Annual contributions by the member should not exceed 10% of the member's annual salary or wages. Most pension SF have a required contribution rate of 5% of pensionable salaries. Members are given the option to make additional contributions of up to 5% of pensionable salaries.

The employer must be an ordinary annual contributor to the SF. Contributions on behalf of a member should not exceed 10% of the member's annual salary or wages, except where the employer makes special payments in order to meet minimum funding and solvency requirements. In this case, approval must be obtained from the tax authorities. The legislation does not address a legal minimum rate for the sponsor, but it must be higher than 0%.

Benefits

Superannuation funds can be Defined Benefit or Defined Contribution in nature. The main purpose of the superannuation fund is to provide retirement benefits however superannuation funds may make provisions to provide termination, death and disability benefits. Retirement (pension) benefits are paid as an annuity

with the option for a tax free lump sum to be taken and a reduced pension received. The lump sum is subject to a legal maximum amount.

There is no minimum or maximum age for the payment of retirement benefits from the superannuation fund. However,

- Superannuation funds must set the normal retirement age between 60 and 65 years;
- Early retirement is typically available within the 10 year period before the normal retirement age;
- Retirement may be deferred (plan rules permitting) until five years after the normal retirement age.

For the case of a death benefit, if the named beneficiary is a minor the benefit will be paid to the appointed trustees on behalf of the minor or payment will be delayed until the beneficiary becomes of age.

Payment of the disability benefit is dependent on certification from a medical examiner.

Taxation

Contributions (members and employer) are exempt from income tax, provided that the plan is approved by the Tax Authorities. Investment income earned on the contributions is also tax exempt. However tax is deducted at source and a claim submitted to the Tax Authorities for a refund. Benefits paid on termination of service. Annuity payments are taxed subject to a threshold.

PERSONAL VOLUNTARY

Coverage

A RS is an individual pension plan to which the following category of persons can make contributions toward a pension:

- self-employed individuals;
- employees who are not active members of an approved SF; and
- employers who have not set up an approved SF for their employees

A retirement scheme must also be registered and approved by the FSC. In addition, these schemes can only be set up by a registered life insurer or a licensed Investment Manager.

Contributions

The annual rate of contribution by each member cannot exceed 20% of pensionable salaries. However, members are currently bound by a limit of J\$6,000 per annum stipulated in the Income Tax Act.

Unlike an approved SF, employers of persons who contribute to an approved RS are not required to make contributions to the scheme. They may however do so voluntarily. If the employer decides to contribute to the plan, total contributions on behalf of a member should not exceed 20% of pensionable salaries.

Benefits

Plans are Defined Contribution in nature. Benefits are paid out as a pension or an annuity.

MARKET INFORMATION

Occupational voluntary

There are approximately 523 active pension plans, 5 of these plans are retirement schemes while 518 are superannuation funds. The total number of applications for registration and licensing received by the FSC is 2,497 as at December 15, 2007. This includes applications for Superannuation Funds, Retirement Schemes, Administrators, Investment Managers, Trustees and Responsible Officers. Forty-one corporate entities have been granted licenses as administrators and investment managers. Most occupational pension plans are defined contribution plans.

The legislation does not currently address fees charged by investment managers, administrators and other service providers.

POTENTIAL REFORM

General trends of the pension reform have led to:

- Greater transparency due to disclosure requirements;
- Increased awareness among members, participants and other pension stakeholders;
- Adoption of international “best practices” in pension plan management;
- Winding-up of small pension plans;
- Increased demand for retirement scheme products due to perceived cost effectiveness.

The second phase of the Jamaican pension reform focuses on safeguarding the level of benefits to be received by pension plan members upon retirement. Phase II, referred to as the “adequacy phase”, seeks to address the underlisted provisions:

- Vesting (i.e. members’ entitlement to their employer’s contributions after completion of a prescribed period of membership in the approved superannuation fund);
- Locking in of compulsory contributions (preserve compulsory contributions of members)
- Portability (i.e. giving members the right to transfer their accrued benefits to and from an approved superannuation fund, approved retirement scheme or any other pension plan as may be prescribed);
- Distribution of surplus in continuing pension plans;
- Interest on benefits paid late;
- Eligibility of part-time employees to participate in approved superannuation funds;
- Non-discrimination;
- Merger of approved pension plans;
- Late Retirement Benefits;
- Indexation of pensions;
- Optional forms of Pensions;
- Civil penalty regime for contravention of the Act and Regulations by trustees;
- Regulations for Retirement Schemes; and
- Regulations for the winding up of approved pension plans.

Additionally, outstanding issues raised by Stakeholders during Phase I, and to which the Government had committed at the commencement of the pension reform process, were also addressed namely:

- Amendments to Act and existing Regulations;

- Funding & Solvency Regulations.

REFERENCE INFORMATION

KEY LEGISLATION

The Pensions (Superannuation Funds and Retirement Schemes) Act of 2004 gives the Financial Services Commission the mandate to supervise and regulate superannuation funds and retirement schemes and to carry out activities essential to the regulatory function. The Pensions Act has been supplemented by a number of Regulations. The Financial Services Commission Act, 2001 lays down the powers and responsibilities of the Financial Services Commission. The Income Tax Act and associated Regulations and the Trustee Act also apply.

KEY REGULATORY AND SUPERVISORY AUTHORITIES

The Ministry of Labor and Social Security

<http://www.mlss.gov.jm/pub/index.php>

Financial Services Commission (FSC)

www.fscjamaica.org



