WQ.464/2021

WRITTEN QUESTION TO THE MINISTER FOR TREASURY AND RESOURCES BY DEPUTY S.M. AHIER OF ST. HELIER
QUESTION SUBMITTED ON MONDAY 15TH NOVEMBER 2021
ANSWER TO BE TABLED ON MONDAY 22ND NOVEMBER 2021

Question

Will the Minister explain the increase in the Social Security (Reserve) Fund (of approximately £530 million) over the last year, and advise why the predictions made for the Fund's performance in the 2021 Government Plan were substantially lower than this figure?

Answer

The change in value of the Social Security Reserve Fund over the last 12 months is as follows:

End October 2020 £ 1,891,839,077
End October 2021 £ 2,282,675,167 (unaudited)

This is an increase of £390,836,090, based on the performance of the investments in the fund.

Forecasts for investment fund balances are prepared relatively early in the Government Plan ("the Plan") process and are based on actual investment results to the end of the second quarter, projected forward to the end of the year. At the time of preparing the Plan for 2021 there was considerable market uncertainty regarding the long-term impact of COVID-19 on financial markets, investment returns and the required level of drawing from the Social Security Reserve Fund ("the Fund").

Therefore, a conservative approach was taken to avoid overstating future balances, particularly given the Fund's greater exposure to more volatile asset classes such as equities. A loss of c.5% (approximately £100m) was projected for 2020 and is reflected in the forecasts in the 2021 Plan. However, by the end of 2020 the investment portfolio had not only fully recovered the initial COVID related losses but had also added a further £165m in value. These improved investment returns combined with lower than anticipated withdrawals from the Fund increased the 2020 year-end value by approximately £360million. At this stage it was too late to amend the forecasts contained within the, by then, approved 2021 Plan.

The 2022 Government Plan includes an updated opening balance based on the Q2 2021 position, and refreshed investment return assumptions based on the latest information available.