

STATES OF JERSEY



MEDIUM TERM FINANCIAL PLAN 2013 – 2015 (P.69/2012): SIXTH AMENDMENT (P.69/2012 Amd.(6)) – COMMENTS

**Presented to the States on 2nd November 2012
by the Council of Ministers**

STATES GREFFE

COMMENTS

Introduction

Senator L.J. Farnham proposes that, further to the proposal contained within the Medium Term Financial Plan to increase the Public Employees Contributory Retirement Scheme (PECRS) Pre-1987 debt repayments by £1 million in 2013, £2 million in 2014 and £3 million in 2015 in order to reduce the long-term costs to the States of the repayment, the Minister for Treasury and Resources be requested to present to the States no later than 31st July 2013 further options for the early repayment of the PECRS Pre-1987 debt and the Jersey Teachers' Superannuation Fund (JTSF) Pre-2007 debt to provide significant additional long-term cost reductions.

The Council of Ministers welcomes the request to develop further options for effective management of the balance sheet via early repayment of PECRS Pre-1987 debt and JTSF Pre-2007 debt. The proposed timescale to consider and evaluate possible options and then to present to the States by no later than 31st July 2013 is reasonable.

The Council of Ministers supports this amendment.

Council of Ministers' Comments

The existing proposal within the Medium Term Financial Plan to increase repayments of the PECRS Pre-1987 debt by £1 million in 2013, £2 million in 2014 and £3 million in 2015 reduces the longer-term costs of repaying this debt by over £1.7 billion. This was developed within the constraints of the Medium Term Financial Plan and with a view to establishing a balanced revenue budget for the period 2013 – 2015.

The Medium Term Financial Plan also highlights a need to actively manage the balance sheet as well as the budget. A significant liability on the balance sheet relates to the PECRS Pre-1987 debt, and this amendment is consistent with managing the assets and liabilities of the States effectively.

It is important that careful consideration be given to any further options for the repayment of the PECRS Pre-1987 debt and the JTSF Pre-2007 debt. This would need to include how the balance sheet could be used to reduce long-term financing costs by more effective use of States assets, the timing of any additional payments and any other implications resulting from using the balance sheet in this way. It is clear that the structure of the PECRS Pre-1987 debt arrangement offers the potential for significant long-term cost reductions, and that completing further work in this area would be beneficial.

Significant work is ongoing around public sector pensions to ensure that they are sustainable, affordable and fair for the long term. This amendment has no beneficial impact on scheme members. It does, however, have the potential to reduce the States' long-term liabilities more rapidly and reduce the financing costs to be incurred by the States in repaying its liabilities.

Whilst the Medium Term Financial Plan includes an initial measure to make significant long-term cost reductions by using the revenue budget, the opportunity to develop further options for effective management of the balance sheet via early repayment of the PECRS Pre-1987 debt and the JTSF Pre-2007 debt is welcomed.

The timescale to consider and evaluate possible options and then to present to the States by no later than 31st July 2013 is reasonable.

Financial and manpower implications

There are no financial and manpower implications arising from this amendment.