**WRITTEN QUESTION TO THE MINISTER FOR SOCIAL SECURITY BY DEPUTY P.F.C. OZOUF OF ST. SAVIOUR QUESTION SUBMITTED ON MONDAY 4th NOVEMBER 2024 ANSWER TO BE TABLED ON MONDAY 11th NOVEMBER 2024**

**Question**

"In relation to the acquisition of the new Government Headquarters as an investment of the Social Security (Reserve) Fund, as included in Proposed Budget (Government Plan) 2025-2028, will the Minister –

(a) clarify what proportion of the building will be occupied by Social Security for the administration of the Fund, including the collection of contributions, and what percentage of the £91 million estimated purchase would thereby qualify as an investment of the Fund;

(b) outline any specific processes undertaken to ensure that the purchase met the Fund's investment criteria (including the governance requirements on investments), particularly given that the building is intended to serve a broader governmental function and not exclusively Social Security; and

(c) explain how this purchase (given that Social Security only occupies a portion of the building), aligns with the Fund's fiduciary responsibilities to pension holders?"

**Answer**

(a) The entire value of the investment qualifies as an investment of the Social Security (Reserve) Fund. The Fund maintains an internationally diversified investment portfolio to ensure it is able to fulfil its role to support the financial sustainability of the Social Security Fund. This investment will function in the same way as the Fund's other investments. On acquisition, the lessee will enter into a 25-year lease of the building, which will see the Fund generate investment returns from the rent it receives from the lessee and the residual value of the asset at the end of the lease period.

The extent to which the building is occupied by staff from Customer and Local Services is not a relevant consideration in determining whether it would qualify as an investment of the Fund.

(b) The proposed investment was presented to the Treasury Advisory Panel (TAP). Its key characteristics are attractive to a long-term investor. Rental payments backed by a long lease from the AA-rated Government of Jersey are low risk, cash generative, and rental returns are also contractually linked to local inflation and so aligned with the long-term liabilities of the Fund.

TAP recommended progression of the investment, though their final recommendation will be subject to the approval of the Budget 2025-28 and conclusion of the detailed lease terms.

The investment strategy for the Social Security (Reserve) Fund is prepared by the Minister for Treasury and Resources and written in consultation with the Minister for Social Security. TAP, having reviewed the proposal already, will formally review the finalised version of the proposition and, if satisfied, recommend formal adoption of the undated Investment Strategy, this will then be confirmed to the Minister for Treasury and Resources, who, if satisfied with TAP advice, will present the updated Investment Strategy to the States Assembly.

The investment, which equates to around 4% of the Social Security (Reserve) Fund's portfolio, will sit alongside and complement the Fund's existing allocation to commercial property.

(c) The local infrastructure investment at 4% of the Fund portfolio is just one element of a wider and diverse portfolio of assets constructed in combination to support the Fund’s ability to meet its long-term investment objectives. The investment meets the investment objectives of the Fund for the following reasons:

- Cash flows align to JRPI and provide a natural hedge to the objectives of the Fund.
- SSR seeks to be widely diversified globally, but currently lacks any local exposure. A small local allocation could have a positive diversification impact.
- The arrangement is low cost and avoids leakage of excessive management fees.
- The nature of the arrangement with cash flows provided by an AA rated counterparty will deliver an efficient and low risk return.
- The yield is designed to replicate that charged by the Third Party yield to ensure a market appropriate return.
- The valuation of the asset is above the transaction price and so it is expected to offer good value for money.