STATES OF JERSEY

SOCIAL SECURITY (RESERVE) FUND: INVESTMENT STRATEGY

Presented to the States on 18th December 2009
by the Minister for Treasury and Resources

STATES GREFFE

REPORT

1. Purpose of the fund

1.1. The Social Security (Reserve) Fund (the “Reserve Fund”) is effectively a buffer to deal with the longer term funding of the state pension for islanders. The Minister for Treasury and Resources is responsible for the investment of the Fund’s assets. The Minister for Social Security has responsibility for the development of a strategy to deal with meeting future pension provisions for eligible islanders.

1.2. The number of persons in receipt of a State pension as a percentage of the working population is expected to increase over time. The purpose of this Fund is to build up a reserve for the future provision of pension benefits for those currently in employment, so as to reduce the impact of pensions on future generations, as well as to smooth contributions for social security benefits over time.

1.3. Long term growth is one of the main aims for the Reserve Fund and therefore any income generated is reinvested back into the Fund. It is expected that there will be no requirement to draw on the assets of the Fund in the near term and during this period there will continue to be net cash inflows to the Fund.

2. Strategy

2.1. In order to ensure that the Fund can work towards its objective of longer term growth its strategy is to place a high proportion of its assets in return seeking investments.

2.2. The longer term strategic aim for the fund is to invest within the parameters indicated below –

Asset Class	Strategic Aim %	Range %
Equities	80	65 – 90
Property	10	0 – 15
Bonds/Cash	10	5 – 35

2.3. As the Reserve Fund is subject to 3 yearly actuarial reviews the outcomes may result in a need to redefine the Fund’s investment strategy. All strategy revisions will be brought to the attention of the States.

3. Investment Structure

3.1. As a pension fund, the Social Security (Reserve) Fund can enter the insurance products restricted to the pension funds market which are designed to follow general market movements. This enables the Fund to participate in large pools of indexed assets available in the UK, at very low management costs and provides the flexibility to easily change asset allocation by increases or decreases to the indexed holdings in each market.

3.2. These indexed funds are provided by an insurance company using a policy of assurance, but operate in a broadly similar way to a series of unit trusts.

4. Investment in Jersey

4.1. Investments are not made in Jersey except where a Jersey company is part of an established index. This is to ensure that as far as possible, the assets are diversified away from the effects of Jersey's economy.