



Corporate Services Scrutiny Panel Public Sector Pensions

**Public Hearing with Chairman and representatives
of the Joint Negotiating Group
WEDNESDAY, 23rd APRIL 2014**

Panel:

Senator S.C. Ferguson (Chairman)

Deputy J.G. Reed of St. Ouen

Deputy R.J. Rondel of St. Helier

Witnesses:

Mr. M. Richardson (Chairman, Joint Negotiating Group)

Mr. M. Johnson

Mr. G. Birbeck (Secretary, Joint Negotiating Group)

[14:27]

Senator S.C. Ferguson (Chairman):

All right, welcome to this hearing of the Corporate Services Scrutiny Panel regarding the Draft Public Employees Pensions Jersey Law. We have the health warning there, which tells you about your privileges and so forth, and for the people sitting in the audience there are notes on the chairs about what we expect you not to do during the hearing.

Mr. M. Richardson:

It is probably worth pointing, if I may, that we are, all three of us, also members of the Committee of Management. We are "trustee" representatives on the Committee of Management as well.

Senator S.C. Ferguson:

All right. Now, development of the proposals: can you perhaps outline the involvement you had in the development of the proposals to reform P.E.C.R.S.?

Mr. M. Richardson:

Yes, of course. Can I just say thank you very much indeed for giving us the opportunity to see you today and to have our say? We do appreciate that, so thank you very much. Yes, we have been involved quite heavily in the development of the proposals. We have sent you a note, which I think you have seen, which explained that, from the outset, especially because we were members of the Committee of Management, the J.N.G. (Joint Negotiating Group) had concerns some time ago about the state of the scheme in terms of not enough money going into the scheme. So we saw a problem and we needed to make sure that problem, as we saw it, was remedied. We understand that there needs to be change to the scheme, so I think nobody can say we have had our heads in the sand or anything like that. We recognised that change had to happen. We were fully involved in putting this forward and supporting various reports. As you know, the Slack report was done and then this culminated in, ultimately, the Technical Working Group report. I contributed to that Technical Working Group report as a Committee of Management member, but obviously also as a member of the Joint Negotiating Group. My colleague, John Lees, whom you might remember as former Head of Social Security, was involved in that as well from the employee side. So we had quite a big role at that stage and obviously I was trying to do the best I could in terms of the package that came out of that – the straw-man proposals – such that they were as advantageous to us as possible. Obviously, in all these things, and it is true of the negotiations as well, a lot depends on compromise. Other people across the table might not agree with us and you have to give a bit and hopefully you get a bit and obviously that was what the Technical Working Group report was about. It was to try and make sure that we started from a good and reasonable place. I have to say that the employer, by starting from the T.W.G. (Technical Working Group) report,

made life a whole lot easier. I think one of our lines in the sand was that we would find totally unacceptable any move to a defined contribution scheme, i.e. away from the defined benefit scheme. C.A.R.E (Career Average Revalued Earnings) is still a defined benefit scheme. So it gives certainty and we like that idea. In the proposal that came out of the T.W.G. it was going to be defined benefit. Now, by the same token, the Treasurer at those T.W.G. meetings I remember being very keen on having prudent assumptions - I think you talked about this yesterday - for the post-2015 scheme. Obviously some of us were less keen on that, but that was her line in the sand, if you like. You have to compromise when these things come forward. So we had the T.W.G. report. The employer came to us with the proposals and then, for about the last year at least, we have been meeting I would say probably on a monthly basis. The Treasurer and her team have met with the Joint Negotiating Group and they have put forward proposals. We have amended some of the proposals. We would have liked to have done more. We are not in full agreement with all of the proposals, but I think we have made quite a bit of headway given that they started from not a bad place to begin with.

Senator S.C. Ferguson:

Yes. How did you manage to bring the rest of the employees along with you, more or less?

Mr. M. Richardson:

My colleagues will feel free to chip in. I think, again, I put this in the note because I thought it was important that you knew about the J.N.G. I would liken it in some ways, I think, to the Council of Ministers where you have somebody in charge but one would argue that they do not have much power, and that is my role really. At the end of the day it is a kind of facilitating body. We all come together and there are lots of disparate views and we are trying to get the best for everybody. That means obviously some people might be happier than others and vice versa. I think we have got to the stage now where I think it is fair to say there is consensus around this as the best we can obtain through negotiation. I think we understand we have made some headway. There are things we would like to change perhaps, but this is where we are at the moment and I think the consensus is that is the best we are going to get at the moment.

The Deputy of St. Ouen:

Were there any particular employee wishes that were reflected in those negotiations?

Mr. M. Richardson:

Do you mean in the sense of what we managed to change or do you mean things that we have not?

The Deputy of St. Ouen:

Yes.

Mr. M. Richardson:

What we have got. Yes, there were a number of things. One of the big things was obviously protection of employees who were close to retirement. We kept a watching brief on what was going on in the U.K. (United Kingdom) schemes. Obviously Hutton prompted a lot of change by the Coalition Government in the U.K. We were fully aware of what Hutton said. My union is part of the bigger U.K. trade union Prospect, which is fully involved in the U.K. changes, and in the U.K. they agreed to protect employees for 10 years from April 2012. Now as the scheme is not coming in until 2015 - so it is effectively 7 years from 2015 - and we always had aspirations to secure a similar deal for our people. You might ask why we were so bothered about that, and I know Mark can come in on that in a second, but I think the point is that people have made plans. The closer you get to retirement, if suddenly you spring this on them and say: "All bets are off, sorry, from 2015 there is a new scheme, people say: "Well hang on a second." I work at Social Security and we have been involved in the pension changes that are happening there. The pension changes are not happening until 2020, but the enabling law went through in 2012. It is all about giving people notice of imminent change so they have time to plan. You might argue: "You should have given longer," or whatever, but I think it is a reasonable timescale there for people to plan and think: "I need to do something else. I might need to save more or I will stay where I am." So we have secured, for people, the option of staying in the current scheme if they so wish. It is a once-and-for-all choice they have to make and they will take advice on that nearer the time, probably in August/September, but people have got that opportunity and so that was quite a major achievement.

Mr. G. Birbeck:

I just think it is worth pointing out that was negotiated, but it did come out of the 24 per cent envelope. By gaining that protection it affected what was achievable elsewhere.

Mr. M. Richardson:

I think that would be a criticism we have, because in the U.K. that protection was paid outside the cap they were using; whereas the funding for it here came from within the 24 per cent overall cap, which meant we could not have something else. So I think that is one of our disappointments, if you like. We would have preferred to have the protection outside the remit of the scheme.

Deputy R.J. Rondel:

From what you have said, just two things, how many times would you have met? You said you met monthly. Do you know, roughly?

Mr. M. Richardson:

I think it broadly was every month, sometimes more frequently. I think I would say a meeting a month.

Deputy R.J. Rondel:

How many meetings would you have had?

Mr. G. Birbeck:

There were 12 negotiation meetings in 2013, 2 in 2014, and there were also 3 meetings in 2013 that were pre-emptive of the formal negotiations.

Mr. M. Richardson:

Those meetings lasted probably all morning or sometime into the afternoon as well; so it is not like a 5-minute chat.

Deputy R.J. Rondel:

You have mentioned it, and I was going to ask a bit later, but I will ask it now. The proposal is that all employees within 7 years of normal pension age at the end of 2014 will be able to remain in the current scheme. Is that measure fair, in your view, to the employees who are more than 7 years away from normal retirement?

Mr. M. Johnson:

I can answer that from a uniformed consensus perspective. I chaired a uniformed services group of the J.N.G. to hear their particular views on that. It is a difficult one to answer. Collectively, we have obviously come to a point where the J.N.G. and the employer and the Treasurer have got to a point of 7 years. However, it is being presented as a bit of a sticking point and a difficult pill for people to swallow when it comes to ballot. What generally happens is that employees in various pay groups will generally look at what has happened in the U.K. and that has varied between schemes. For the police there was a 10-year protection. For Fire and Rescue Services there was a 10-year and then a further 5-year sliding scale protection, but that was specifically agreed around fitness standards. So the hard parts for fire and rescue service is the introduction of the fitness standard, which is in-being in Jersey, but in the U.K. there was a consultant's report, Dr. Williams's report, that made it very clear (it was produced for the British Government) that somewhere between, I think, 15 and 23 per cent of staff will not meet required fitness levels.

Deputy R.J. Rondel:

At what age?

Mr. M. Johnson:

Over about 55 to 60 in that 5-year period. That is why there has been some concern about extending the retirement age for fire-fighters. Having said that, the way we have viewed this in the J.N.G. is it is appropriate and it has also been appropriate for the British Government and the Scottish proposal is to suggest and to maintain their position of a retirement age of 60. That does not detract from the concerns around employee-related fitness; in other words having to retire because you cannot maintain your fitness. This is only considered to be an issue to current staff because the fire brigade will basically have to change in the United Kingdom. We will have to do more fitness training. The deterioration of your fitness levels becomes exponential the older you become; so it becomes more difficult, especially after 55. It peaks about 40, but it starts to decline quite rapidly after that point. So, as long as the position is still maintained, which is similar to Dr. Williams's report...and his recommendation to the Government was about, if you cannot maintain your fitness you go through a process of failing a fitness test, retraining and trying to meet that standard over a period of time, qualifying again and, if you cannot maintain the fitness, then you will then be referred to occupational health, in our case AXA. Then beyond that point they would determine whether you are either fit to carry on or not. There is a lot more detail surrounding this, but if you are unfit to carry on then the recommendations in the U.K. were that you would be able to retire between the age of 55 and 60 without actuarial reduction. For new staff, we would have to set the bar extremely high, which is going to be quite challenging for us here, and that is that you would have to be super-fit when we employ, which is going to be difficult, and we would be able to maintain that fitness level up until the day you retire at 60. That is considered to be achievable by Dr. Williams, but for current staff who did not join at those fitness levels and then have the introduction of the extended age to 60 it is going to be quite challenging and it is suggested in his case study that 15 to 23 per cent of staff will have to retire on fitness grounds.

The Deputy of St. Ouen:

But that is not currently the case over here?

Mr. M. Johnson:

A fire-fighter is considered a fire-fighter. What we do in Jersey is no different to the U.K. If we are led to believe what Dr. Williams is saying, at best case 15 per cent and worst case 23 per cent.

The Deputy of St. Ouen:

For those sorts of changes to be made, it would require Ministers presumably to make decisions around terms and conditions of pay and employment surely?

Mr. M. Johnson:

The proposals that have been put in the offer, drafted by the Treasurer, are very similar but, as the J.N.G. and uniformed services, we would obviously want to be very careful about how the Regulations are drafted.

[14:45]

Mr. M. Richardson:

Can I just say, one of the key things about that is that...

The Deputy of St. Ouen:

That is the important point. It is the issue around the Regulations and what that may or may not...

Mr. M. Richardson:

Absolutely, because we had a particular issue around fitness for work. We beefed it up a bit and, as Mark says, it is in the offer letter to us now, but obviously there was a phrase in that letter about funding of such arrangements. So if we reached the situation where a fire-fighter could not work and he had to take early retirement or whatever and it was to be done without any actuarial reduction, we have to be very careful because there is a clause in there that states it has to be funded by the department. Now, there is no point in having something in an agreement and then somebody...“reneges” is probably too strong a word...but it has to be funded and the money has to be there. I think we have managed now to make sure that there is a bit of a backstop and that the Treasurer can become involved if a department turns around and says: “We cannot fund this, we do not have the money,” If somebody meets all the criteria and should be taking early retirement then it should be funded. It is as straight as that. So we just need to make sure if there is that kind of issue that we see it properly in the regs.

Deputy R.J. Rondel:

When do you think you will go to ballot on this?

Mr. M. Johnson:

We are talking about next month or June.

Mr. M. Richardson:

Yes, I mean I think I can talk about the general balloting process if you want now, or do you want to save that until later on?

Senator S.C. Ferguson:

No, save it for later.

The Deputy of St. Ouen:

Sorry, can I just pick up one point before we move off what I call the 7-year option? One would tend to come to the conclusion that the reason for having the 7-year option is that the present scheme is more beneficial and favourable than the current one that has been negotiated. Is that a fair assumption?

Mr. M. Richardson:

I think that is broadly true, yes. I do not think anybody is jumping up and down with joy at the prospect of having to work longer, pay more, and move ultimately to a C.A.R.E. scheme away from final salary, I will be completely honest with you. That is how it is, but there is a recognition that things have to change.

The Deputy of St. Ouen:

Regardless of the move to the new scheme, surely it must have been accepted that there is a need to work longer. In other words the fact that the retirement age was going to increase to extend beyond 65 would have to have been reflected even in the existing scheme.

Mr. M. Richardson:

Well, it could have been, but I think the whole thing needed remodelling. I do not think it was an option. Certainly, for the Technical Working Group when we looked at it, it was not an option to stick with what we have. It needed a whole new process. I would be lying if I sat and said: "Oh yes, everybody is welcoming this." We are not, but I think we are realistic. Quite often unions get moaned at for having their head in the sand or not being realistic. We are very realistic about this, but we want to gain the best for our members at the same time.

Mr. M. Johnson:

Can I just make a final part of my point there? This is a document that I have produced. It is worth you understanding the rationale behind why protection is valid. However, the two sticking points for employees will be the fact that you are comparing apples and pears with schemes in the U.K. and, as I said, the fire-fighters scheme in the U.K. is 10 years plus a 5-year sliding scale, mainly for fitness. We came to the 7-year position and we have not disagreed with that position in the J.N.G.

The Deputy of St. Ouen:

Just for the record, the paper that you have just given us is the Joint Negotiating Group proposals?

Mr. M. Johnson:

It was part of the negotiations that the uniformed services discussed and it puts some rationale behind a protection measure for uniformed grades.

The Deputy of St. Ouen:

All right, so this discussion document that was presented on 15th August last year, I presume...

Mr. M. Johnson:

To the Treasurer.

The Deputy of St. Ouen:

...was then considered by the Joint Negotiating Group and negotiations were...

Mr. M. Richardson:

Because we have had issues that are specific particularly, say, to the uniformed services, what we have had - and I think again I might have touched on this in the note - is that sometimes Mark would probably lead from the uniformed side, but Gary and I are there to keep it within the J.N.G. ambit and check whether there is any repercussion for whatever is being talked about here for the rest of us? So that is how we go forward and I think Mark wrote that document. It would be the J.N.G. (Uniformed Services) paper, if you like. That is how we would describe that document.

Mr. G. Birbeck:

The initial proposals were to increase the uniformed services pension age to 62, and that was wound back to 60.

Mr. M. Richardson:

Uniformed grades would have worked until 62, but in the end we managed to negotiate that down to 60 again.

Senator S.C. Ferguson:

Carrying on from the comparative business between Jersey and the U.K., the report accompanying the draft Law highlights the importance for Jersey, in terms of recruitment, of having comparable pension provision to public sector provision in the U.K. How significant a factor is that?

Mr. M. Richardson:

Very significant, but it is also worth saying that the final salary scheme we have at the moment is inferior - I think, again, a point I have made previously - to the bulk of the U.K. schemes; especially

as, for example, their general accrual rate is one-sixtieth. In Jersey most people are on one-eightieth. Things like that mean that the offer we are considering is not as good as the U.K. and, going forward, even though the U.K. is adopting a C.A.R.E. scheme as well, it still will not be as good as the U.K. We are always trying to catch up and then they move away just as we are approaching them.

Senator S.C. Ferguson:

Are they sticking to one-sixtieth then?

Mr. M. Richardson:

No. They adopted a similar scheme to Jersey but our Technical Working Group report talked about an accrual rate of one-seventieth. That was our start point, if you like. Well, their starting point was one-sixtieth; because that mirrors really what they have now. You will probably ask us, I am sure, about the trading of the accrual rate for the uplift and all that kind of stuff. Anyway, they had a similar arrangement. Their uplift was earnings, and a one-sixtieth accrual. Bear in mind that in the U.K. there are more unions. There are different schemes as well. We are all in one scheme here. In the U.K. everybody is in different schemes. So they had much more freedom in terms of what they wanted to do and basically they did a similar thing to us. They traded the uplift, moved away from earnings, and “bought” a better accrual rate with that. For example, some of my civil service colleagues in the U.K. have decided they have an accrual rate of one-forty-fourth - remember, the lower the number the better it is - and they just have an uplift of C.P.I. (Consumer Price Index). I am not sure we wanted to do that, but that was their choice. That is what they have chosen. What I am saying is there is a choice. You can choose what you like. Now, we were limited within the cost envelope of 24 per cent as to what we could do. Our target, I think it would be fair to say, was always to get to one-sixtieth and, if we could have achieved that, it probably would have made life a whole lot easier because although we have around 6,300 people on an eightieth accrual, we have, in the current pension scheme around 1,100 people who are on one-sixtieth. About 370 of those people are going to be under the protection arrangements because they have up to 7 years to go, but there are a number of people there who will not be protected and who are having a worsening of their accrual rate from one-sixtieth to one-sixty-sixth.

Deputy R.J. Rondel:

That is because they have been employed for up to...

Mr. M. Richardson:

To get a one-sixtieth accrual rate you either have to be a member of the uniformed services (so you could come in today and get a one-sixtieth accrual rate and you could be an air traffic controller with a one-sixtieth accrual rate) but for anybody else – who is not category A or category

B - to get one-sixtieth you would have had to have been in employment before 1990. These people will have 25 years at one-sixtieth.

Mr. M. Johnson:

Can I just explain that point a little bit from conception? When the scheme was originally brought about it had different accrual rates based on each pay group, for want of a better word, for the ability to achieve a full pension. Civil servants would work longer and have a lesser accrual rate, while a uniformed service member had a shorter career but would still be able to achieve a full pension when they retired earlier and so therefore they had a better accrual. That is not possible going forward. It is not right. It is cross-subsidy and obviously it is a detriment to the scheme as a whole. So there is no question that has to change, but that is difficult obviously for the employee. There are going to be winners and losers. Obviously if you are on eightieths and you are going to move to a one-sixty-sixth accrual rate that is good. If you are a fire-fighter or a police officer, let us say, then that move is obviously to your detriment and less pension at the end, but we must look at that as you are in a shorter career and you would have to work afterwards.

The Deputy of St. Ouen:

So just help us. There have been a number of movements from the original proposal, but they have all been based within a cost envelope that has been set.

Mr. M. Richardson:

It was set, we did not have much say in that.

The Deputy of St. Ouen:

Set, I presume in the U.K. they must have done something similar.

Mr. M. Richardson:

You are absolutely right.

The Deputy of St. Ouen:

So just highlight what you believe to be the key improvements that have been able to be negotiated within the cost envelope?

Mr. M. Richardson:

Well, we have touched on protection. That was obviously a major one. We have improved the accrual rates, although it has to be said at the expense of the uplift of the C.A.R.E. pots (the revaluation rate). So we were going to have an earnings uplift. The amount that builds up each year as your C.A.R.E. pot was going to be uplifted by earnings. We did some sums and

calculations and now that is going to be uplifted by R.P.I. (Retail Price Index) plus one per cent. So we have traded the uplift to gain a better accrual in our quest to get to one-sixtieth, which we have not achieved but we have got to one-sixty-sixth.

The Deputy of St. Ouen:

Sorry, just picking up on that, can you help us with this, because I would have thought R.P.I. plus one per cent would be better than earnings?

Mr. M. Richardson:

Nobody knows how things are going to in the future. That is the truth. Anybody who says they do it is rubbish. What are told is that earnings generally will outstrip inflation. I know we have had a funny 3 or 4 years latterly, but if you go back in time...I thought you might ask me this question so I have an answer. We did not do this lightly. We were influenced by what had happened in the U.K., where the unions had moved away from an earnings uplift to an R.P.I. or in their case a C.P.I. (Consumer Price Index) related uplift. So we thought: "Well, we need to look at this." There was also our quest to get to a one-sixtieth accrual. Then we had the economic adviser come and talk to us and the statistician and they told us that, over the period 1990 to 2012, the annual average increase was 4.6 per cent for earnings and 3.9 per cent for prices. So, over the years, earnings generally do outstrip prices and if I was living in an ideal world where there was no cost cap I would have stuck with earnings because I would bet that earnings, generally speaking, will outstrip prices. However, we are not in the ideal world; so we have to make choices. We thought, when we looked at all the numbers, what could we trade and (this is my personal view and others can say yay or nay to this) I did not want us to risk uplifting the C.A.R.E. pots by too low an amount. I think R.P.I. alone would not have been high enough, whereas from this figure here, R.P.I. plus one per cent, when it is 3.9 versus 4.6, still gives us a bit of leeway. We might lose out sometimes. Who knows? Nobody knows, but it also gets us a better accrual rate. Once we have the accrual rate, we have it – it is secured. That is the virtue of improving the accrual rate. It is there. The other thing is - and I am sure Senator Ferguson might appreciate these points - who knows what the uplift for pay in the public sector is going to be in the future? It might not be too generous and I know that influences the earnings figures. So by moving to improve accrual we are lessening reliance on earnings and focussing on R.P.I., because R.P.I. is slightly different. So we looked at it very carefully. In 20 years' time we may look back and say we got it wrong. Who knows? But I think we wanted to do the best we could and we did not think we were taking too much of a risk.

[15:00]

Mr. M. Johnson:

The scheme is designed around the 25 years in the future. Working on very rough calculations that I did, we are talking marginal figures between R.P.I. plus one against average earnings. Even if we have got it wrong slightly, it is a very marginal figure at the end of the day. I think, from our perspective in the J.N.G., the best expression is it is probably an easier way for us to sell it to employees, that you are getting a higher accrual rate. If we start talking about R.P.I. plus one to them I do not think they will understand it.

Mr. G. Birbeck:

Earnings itself is not just pay as well because it takes into account increments and promotions. People think: "My pay has only gone up by this," but earnings is slightly different.

Mr. M. Richardson:

One point I would like to make, Chairman, if I may, is that one of the key achievements for us is that we have secured from the employer an extra 2.4 percentage point contribution to the whole scheme. So, yes, us and colleagues are all going to be putting in 3 per cent, or even 5 per cent if you are in the uniformed services, but one of the issues why we think we are in this situation is because the employer has refused, in recent times, to increase its contribution. I put in my note to you what Slack said about the scheme. I think we see it as a real achievement that we have managed to get the employer to up its contribution, albeit we are putting in more. I think that is quite an achievement on our part, and I do not think our members will appreciate this but I think, from our point of view as negotiators, I think this has been quite a key point that we have achieved.

The Deputy of St. Ouen:

We are talking about the additional 2 per cent?

Mr. M. Richardson:

Indeed.

The Deputy of St. Ouen:

Which equates to about £5 million?

Mr. M. Richardson:

Yes. I am not sure about how much it equates to. I think, in percentage terms, they were paying 13.6 per cent and they are now going to be paying 16 per cent.

The Deputy of St. Ouen:

That is from 1st January 2015?

Mr. M. Richardson:

My understanding is yes. Just if I may carry on about what other things we have achieved, one of the things we have done, obviously our members are having to pay a higher contribution rate. They are not too happy about that at all, but I think people do understand. I think we have managed to stage that over a longer period of time. For example, for uniformed colleagues it is going to be over 5 years and then for the rest of us it is going to be over 3 years. We have also managed to influence the amounts per year, because originally the employer was going to get people paying a little bit and then ... It was a bit disproportionate per year or something. Now we have equalised that out and I think it just seems to be much fairer and everybody will reach the highest rate at the same time. At the moment we have some people paying slightly different contribution rates, but everybody will reach it at the same time now. So I think that is fairer. We also managed to reduce, as Mark has touched on, the pension age for uniformed services. It was originally going to be 62. That has now come down to 60, in line with the U.K. proposals. A lot of people like to get a lump sum when they retire and originally there was going to be a reduction in the amount of money that people would get, but once we found out that lots of people take advantage of that situation we restored that to where we are. So it is not really an improvement. It is just a status quo. Then I think, finally, we also improved the death-in-service, which is always something that has really bothered me because the private sector might have inferior pension schemes, but one thing they do get is very good death-in-service benefits. One hopes you never need it, but if it ever does happen I think it is a real godsend. So we managed to improve that to 3 times income as opposed to 2. Hopefully it will not benefit many people, but I think it is really important if something does happen that people have got that.

The Deputy of St. Ouen:

Those that possibly or potentially could benefit the most would be some of the people that you represent.

Mr. M. Johnson:

Indeed. I mean it is very difficult to talk about what could happen. However, if I could briefly go back to the fitness, it is not all about fitness. It is also about ill health and there is about 2.5 per cent attributed to chronic disease between the ages of 55 and 60. They would normally just fall straight into the ill health regulations, so there are benefits there as well.

Mr. M. Richardson:

I suppose the final point is obviously we secured the protection of all the accrued rights; so the schemes that we have now, obviously that is carried on and will be paid out.

The Deputy of St. Ouen:

Just one last point before we move on to the issues around cost and affordability. Are there any risks that future changes in the U.K. could impact on the sustainability of the current proposals, which obviously are spread over 25 years?

Mr. M. Richardson:

I think they have possibly even written it into the statute, but certainly it has been in all the negotiations that this is a 25-year deal in the U.K. Unless something drastic happens in the U.K. and they revisit this then I would imagine our scheme ... Nothing will happen in the U.K. I would not think, and so our scheme should also stand that test of time.

The Deputy of St. Ouen:

But you were saying earlier that we are playing catch-up.

Mr. M. Richardson:

Yes, we are.

The Deputy of St. Ouen:

If the U.K. is looking at something slightly different to what we are proposing now ...

Mr. M. Richardson:

No, the state of play in the U.K. is that the unions ... my union, for example, Prospect in the U.K. - I can only speak for mine - have voted and they accepted the U.K. proposals, what is happening in the U.K. All the civil servants in the U.K. have had a vote and they have accepted the new deal that is coming in from, I think, April 2015 in the U.K. I know from what they have agreed that all of those schemes in the U.K. are all going to be on a better accrual rate than we are. It is just one of those things. I would love to move forward, but there we are.

Deputy R.J. Rondel:

What is your view on the manual workers and their benefits? Will they benefit more than ...

Mr. M. Richardson:

There is an argument that C.A.R.E. will benefit people like those people, that is right, because they are less likely to have big promotion opportunities and, before they retire, move on to a big final salary. I think, if people are going to gain from this, it is more likely to be the manual workers. One of the things we did do was to make sure that, for people who were earning less than £30,000 a year, they would still have to bear the 3 per cent increase but it is spread over 4 years for them,

unlike people who are earning more than that where it is over 3 years. So we have tried to do our utmost to improve things for them as well.

The Deputy of St. Ouen:

I am mindful of the time, so we need to press on. In your written submission, you spoke about the fact that risk-sharing arrangements between staff and an employer appear to have broken down after the 2007 valuation. What, in your view, is the reason for this breakdown?

Mr. M. Richardson:

Well, it is basically because, when you read what was supposed to have happened, we should have had some kind of negotiation about what we do about the deficit, and, in my recollection and my colleagues I am sure, that never happened. It was just removed. In the regs, if you could not meet, the default option was that pensioner increases were reduced and that is more or less what we moved to, without too much by-your-leave, to be honest.

The Deputy of St. Ouen:

But do you believe that the implementation of the current proposals would ensure that such a scenario does not occur in the future?

Mr. M. Richardson:

Yes, I think it would, because the risk-sharing arrangements, without going into lots of detail, are much more set down. We would like a closer look at the risk-sharing arrangements because, I have to say, another one of our concerns is that ... They have been shared with us and we have been involved in them, but I think we would like to see where they are. We need to look very closely in the final regs what the risk-sharing thing says. The danger of the old scheme, or the current scheme as it is, is that if nothing was done and the employer sat on its hands, as we saw, there was a reduction in pension increases. Ultimately, if things had been really bad, then the actual money that pensioners were getting, their actual pension, could have been reduced. Well, that is not on. We cannot have a situation where that is par for the process, if you like. So that was one of the drivers for us about changing things.

The Deputy of St. Ouen:

Thank you.

Deputy R.J. Rondel:

Just going back to the protection and fairness again, an amendment to the draft law has been lodged by S.E.B. (States Employment Board), which would see the employer's contribution cap of

16.5 per cent enshrined in primary legislation. What is your view on that? Have you studied that amendment?

Mr. M. Richardson:

No, I have not, but one of the things that we are disappointed about, when we started on this process about a year and a half ago, whatever it was, it was always going to be 24 per cent, but then there was going to be above that a bit of a buffer. In the ratio of 2 to one, which has been the thing throughout this, it was going to be 2 per cent for the employer and one per cent for employees. So we would have taken a hit as well. Now, I think, because of pressure from particular people on the S.E.B., to be blatant about it, that has been pushed back down. We are not happy about it and we do not think it is fair and now, as you are saying, it is now down to a half by the employer and a quarter by us. That is a long way off from the 3 per cent it was going to be originally in total. Now it has been proposed that it is put in the regs. There is good and bad about that. One thing is, if it is in the law that it is going to be 16.75 obviously it is much more difficult to change that. So we could say: "Well we have got that". The downside is we would have liked more and, once it is in the law, it is unlikely we are going to get more. I do not know. You take your pick; it has pros and cons.

Deputy R.J. Rondel:

So how will you deal with that when you put it out to your members?

Mr. M. Richardson:

I do not think it will be a make or break on behalf of the members. I think it is more for the negotiating team to try and put pressure on to see if we can get an improvement. Now, from what I know, I think that is unlikely and we might end up having to live with 16.75, the half above it or whatever. I have to say we are not very happy about it, but there we are.

Mr. M. Johnson:

There are 2 points to make on that, I think. We would like to think that there is such good governance going forward with the new scheme that to have to increase contributions and achieve that element of going up to the cap becomes highly unlikely. Something has gone wrong if we are doing that. It is unlikely that we would go to the cap. From the J.N.G.'s perspective then, if something does go wrong, we would like that buffer zone there. If the buffer zone is not there and you do reach the cap then what happens is the benefits get cut. That is employee's benefits and obviously the employer does not have to share that burden.

The Deputy of St. Ouen:

You make an important point. It is a cap. It is not a target figure. It is a cushion.

Mr. M. Johnson:

We are changing the arrangement of the scheme, so it is highly unlikely that we will go into that.

Mr. M. Richardson:

Can I just make one point, because, Deputy Reed, when I saw you in the States Members briefing, one thing you picked up on I hope we are both in the same ballpark on this, is that obviously there is a cost to protection and the protection will end. Once all those people we were protecting retire, the cost to the employer will come down and there has been talk, I have seen in the paper there, that at that point in time the employer could think about reducing its contribution into the scheme. We are really against that because part of the reason why we are where we are is because the employer did not put enough money into it in the first place, and I think you raised this point at the States Members briefing. In many ways I would be more pushy on that particular point, that we want to make sure the States are putting in their money and it stays in there. If there is a little bit more money floating around in 10 years' time, leave it in the scheme; so if we get into a deficit it will help deal with the deficit and we will not be going anywhere near the cap. I am really keen that point is made and that we keep that money in the scheme, because otherwise it is not fair. Why should the employer think about taking money out rather than there be the dire situation of us thinking about taking money out? That is not what we want to do. We want more money going into the scheme to keep this scheme sustainable over time.

The Deputy of St. Ouen:

Is that not the reason why they are moving from the 13.6 per cent to the 15.6 per cent?

Mr. M. Richardson:

They are moving from 13.6 per cent to 16 per cent, but that is in the cost envelope. So they set the cost envelope at 24 per cent. That was the employer's ...

The Deputy of St. Ouen:

Currently, as I understand it, there is a 13.6 per cent contribution and an extra 2 per cent that is dealing with the pre-1987 debt. What they are now proposing is that the 13.6 per cent contribution will move up to 15.6 or 16 percent and there will be an additional sum of money found or provided for to continue to pay that debt.

[15:15]

Mr. M. Richardson:

Which is the employers' responsibility, no question about it, and I think even they accept that. It is nothing to do with us.

The Deputy of St. Ouen:

In this new way, the employer not only is making sure they deal with the debt, in addition to other monies that have been found to repay it quicker; they are increasing their contribution.

Mr. M. Richardson:

At the moment, their contribution is 15.6 per cent of which 13.6 per cent is going into the scheme. That is not enough, because 2 per cent is going on the debt, which is nothing to do with us. It is a debt that the States take, without going into all that. They are increasing from 13.6 per cent to 16 per cent. That is the increase that we are pleased we have got, and then they would always have had to pay for the debt anyway. That is their lookout; nothing to do with us.

The Deputy of St. Ouen:

Thank you for clarifying that point.

Mr. M. Johnson:

That obviously matches the risk-sharing arrangement between the increased contributions from employees as well.

Mr. M. Richardson:

That is right. We are all putting more in as well.

Senator S.C. Ferguson:

Yes. In your written submission you have talked about a number of concerns - we have talked about them - and these are presumably all matters that were subject to the negotiations. What are going to be your next steps with regard to the ones where you have concerns still?

Mr. M. Richardson:

We could call more meetings. I suppose they are concerns in the sense that ... one is, for example, making sure we have time to look at the regulations. That will be really the big test, because we want to check what we think we have agreed, in terms of the final offer, is reflected in the law. The key aspect for us really - and I know you touched on this yesterday - is for us having proper time to examine these regulations when they come out. You know the law that was being presented? I was involved, wearing a Committee of Management hat, in looking at that law and we were happy with that law. Now, the Committee of Management will also want to look at the regulations, as will the J.N.G., because the regulations are the meat and drink of this, and we need

to make sure that we have enough time to do that. The Treasurer has set the timetable for this and things do have to move on. There is a danger that otherwise, if you take too long, things never happen. So it is hard to get a balance between making sure you have enough time and then just stalling things for the sake of it and, I think, to be fair, we have always moved on with it. We are happy to keep moving, but at this late stage we do need to have enough time to check that the regulations say what we think they should be saying, which is where some of these points will come in.

Senator S.C. Ferguson:

How much time do you reckon you need?

Mr. M. Richardson:

Well, would you like me just to talk about the balloting process and then that will feed into that and ask me again, please, if I have not answered your question at the end of all my waffle. We had the final offer. The final offer came out in a letter to me, which had about 62 points on it, I think. The members of the Joint Negotiating Group have now got that letter. It is for them to do with that letter what they see fit. For example my union, what we are doing, I have written a commentary and we are likely to send out the letter to all members so they can see it. There are no hidden things: "This is what the offer is," but they need a bit of interpretation as to what the letter means. Now, it is for each union to decide how they are going to do that or what they are going to do. Just again talking for my union, we are talking about undertaking a ballot and we are talking about balloting 1,000 people, probably, and that will obviously take probably about 6 weeks. We would be looking for a result on that ballot probably in early June, with a bit of luck, but not before then. It depends on us getting organised and all the rest of it. We need to hold meetings with members because it is very difficult ... you see, until we have had the final offer, we have had people saying to us: "Well, what is in it? What is in it?" All right, we can give a bit of a flavour, but until you have got it you have not got have it. So it is quite hard. We obviously want to move on as quickly as we can but I think it is very optimistic to think anything will happen this side of mid-June. Then it is for each particular union to decide how they are going to consult with their members. There is no dictat going out from me. People do things in different ways. Now, I would suggest that all unions should want to consult in some shape or form with their membership, and then that is up to them.

Senator S.C. Ferguson:

Looking at that in terms of the timetable, when would you see the regulations coming to the States?

Mr. M. Richardson:

Right. Well, I think they said yesterday that the regulations will be coming to the States sometime in the early summer, was it not? I suppose there is an element of trust here really because if we ballot our members and say: "My lot vote yes to it ..." I mean I will be recommending for my union that this is the best we can secure by negotiation. If my colleagues follow my lead and say: "Yes," obviously at that point in time the regs might not quite have been lodged. We will have to discuss with the employer - and I do not think there would be any reason why the employer would not talk to us - to make sure that what we think we voted on and agreed is manifested in those regs. I think there is an element of trust there and I think we have to say we do trust the Treasurer that she would give us an opportunity. We might not secure changes, but if there was something we really thought we were being led up the garden path on we would want to check that. I think there is an element that the regs might well come after when we have balloted members, because we are balloting on this offer and we are trusting the employer to put in the regs what is in this 60-point offer.

The Deputy of St. Ouen:

All right, and that is the important point. Once the unions have communicated with their members in whatever shape or form, the communication will include: "These are the terms that we are expecting to be covered within the regulations under the primary legislation."

Mr. M. Richardson:

Well, it is not the primary. It is under the regs, yes, because the primary law is ... this is the regs, yes. That is right. I think it is a bit unfair. I heard on the radio, I think, yesterday - it is not a comment made by us - that the unions have not been consulted yet. Well, we have not been consulted because we have only just received the offer and we are in the process. It takes time to consult with our members and, as long as we are not pushed into a corner saying: "We have got to do this by ..." We want to do it as quickly as possible. We have got no interest in delaying this, but these things do not happen very quickly, as you know, when you are trying to get the messages out there to people.

Deputy R.J. Rondel:

Do you think mid-June is a maximum?

Mr. M. Richardson:

I would be surprised to see anything this side. I would like to think that by mid-June we might well have a pretty good idea across a number of the unions. Does that sound reasonable to you, Mark?

Mr. M. Johnson:

Certainly from the Fire and Rescue Services Association, being a smaller group, it is much more manageable for us, and the other uniformed services, as well, it is slightly easier. Certainly from my perspective we will be having a series of meetings going through what their concerns are before it goes to ballot, and then I would imagine those timescales are going to be similar.

Senator S.C. Ferguson:

Can you really see it coming to the States for debate by the middle of July?

Mr. M. Richardson:

They have to lodge, what, 6 weeks before? I think it will be quite tight. It depends. When we go back to our membership, if there is a big uproar about particular issues then obviously we would want to sit down with the Treasurer and say: "Look, this is giving us particular concern here; we need to think about this," and she would have to hear us out and hopefully things might change. We want to probably do that before we went to the ballot. If we thought: "There is something that is really bothering people here," you would be daft to go and ballot people. You would want to try and sort it first. I think it will be tight. I do think it will be tight, but I understand this has to roll on. I change has got to happen, we have embraced change; let us get on with it. It is just the timing is tight.

The Deputy of St. Ouen:

On behalf of the Committee of Management, presumably you would be looking for a clear steer from the membership ...

Mr. M. Richardson:

Yes, you mean from us as the Joint Negotiating Group, not Committee of Management?

The Deputy of St. Ouen:

Well, I am just trying to work that out that. Of course, the Committee of Management has perhaps slightly different responsibilities and so let us focus on that for the moment. As the Committee of Management, what are you looking for as an outcome from the ballot process and communication process that has to be entered into?

Mr. M. Richardson:

Well, I think the Committee of Management have always said ... and I think you can ask Ron Amy this question, who is the Chair. I think you are talking to him later on. He is obviously the person to answer this. The Committee of Management as a whole, taking off our union hats, as it were, is fairly neutral about the benefits of the scheme that we have just been talking about. It is more interested in making sure that the scheme is in a fit position to carry on for the future. So

obviously things like risk-sharing would be a big issue for the Committee of Management and I am sure, wearing our different hats, we would be looking at that as well as looking at it separately through the J.N.G. There are different issues. Things like the benefits and what the accrual rate is are of no real interest to the Committee of Management. It is more, as long as everything is affordable and the money is going in to make sure that everything is going to be paid for, that is what the C.O.M. (Committee of Management) interest is.

The Deputy of St. Ouen:

What point are they at?

Mr. M. Richardson:

They have not seen the regs either.

The Deputy of St. Ouen:

The Committee of Management would want to see the regulations properly reflecting what is being proposed by ...

Mr. M. Richardson:

They would be less bothered, I think, about whether they reflect that there is an accrual rate of one-sixty-sixth or whatever, but they would be interested in certain elements about the scheme itself, like the risk-sharing; anything that is about the body of the scheme. I am not explaining it very well, but something more about what the nitty-gritty of ...

The Deputy of St. Ouen:

The prudent assumptions?

Mr. M. Richardson:

All that kind of stuff, absolutely. All the detail behind the scenes really, which our members probably would not be interested in, is what C.O.M. should be interested in.

The Deputy of St. Ouen:

That confirms how sustainable the scheme is.

Mr. M. Richardson:

Absolutely, it is stuff like that. Is that right, guys?

Mr. M. Johnson:

We would be looking back at the number of reviews that have been done in the past, obviously the Slack report highlights a number of issues there of change that needs to happen to the scheme. That is the things we would be looking at, especially the governance, the risk-sharing and the legislation, but there is no doubt that we would be wanting to see the regulations written correctly in that way.

Senator S.C. Ferguson:

Do you think that the target date for implementation of next January is reasonable, achievable even?

Mr. M. Richardson:

I think it will be hard, but I am quite keen that, if we are going to have change, let us do our best to make it for January 2015. If you ask the Treasurer she will always say: "Yes, it is going to be 1st January 2015," because I have a feeling that the moment she said: "No, it would not be that," everybody would be: "Oh, that is all right then, we have another year to get things sorted." I understand fully where she is coming from and I support her in that. We are not saying that people will like the changes. It will be a bit of a battle to get it through, I am sure, but I think, if we are going to have to change, let us get on with it. Let us not try and pussy-foot around and come up with something new. I do not want to have to go through all this again. I would rather just get it over and done with and let us get it in on 1st January 2015.

Mr. M. Johnson:

Collectively, we all agree about that in the J.N.G. However, there are always the dark clouds out there. I am not saying militant, but uniformed services have got different takes on what the scheme is. They are the ones that are going to be paying more and working longer, but certainly paying more, and will not have quite the benefits that they look at when they look at the U.K. schemes, although they will be paying less than the U.K. schemes. So it is very difficult comparing apples ... but, at the end of the day, they are the ones that have got the most change and when they go to ballot they will decide, and I cannot second-guess anything. When things go wrong or possibly go wrong in that respect, what I do not know is how we deal with that and how that affects the implementation date.

Deputy R.J. Rondel:

Would you ballot certain sectors first?

Mr. M. Richardson:

It is down to each union to decide how they want to do it. There is no dictat about that. Each one will do it as and when they see fit and with a recommendation or no recommendation; entirely up

to them. The letter has been sent to me, but I have distributed it via Gary to all the J.N.G. members. Everybody can see what the offer is. So there is no under-the-table thing. This is the final offer, and then people have to decide what they do with it and how they present it. I mean, as I said, I will be putting a thing forward saying it is the best that could be achieved by negotiation. I think that is the general view, but I think some people will be more positive about it than others and that is what you would expect across a disparate group.

The Deputy of St. Ouen:

Given that it is designed to provide a scheme to cover all employees, both inside and outside, because there are other groups as well that are not directly paid by the States but are part of the scheme, I presume the Committee of Management would consider the overall views with respect when it comes to considering the outcome of some of the ballots?

Mr. M. Richardson:

Yes, I think so, and we have Gary and obviously J.T., they are an admitted body to the scheme. We have representation on the Joint Negotiating Group and we also have people from Postal there who are part of the talks already. We are already becoming involved in that type of thing and Gary's members are affected by this just as much as my members are. So they are already in the mix, if you like.

[15:30]

Mr. M. Johnson:

I think the Committee of Management would quite clearly be looking back to the J.N.G. They would be less concerned about some disquiet, but they would be looking back to the J.N.G. to rectify that. Although we have a duty to our employees as well, but as trustees we have a duty to the scheme and we believe what we are getting is something that is sustainable in this scheme and suits employees, but if there are things that are still loose ends then we, as the Committee of Management, will be looking back to the J.N.G. We would not be interfering particularly as Committee of Management members.

Mr. M. Richardson:

I mean obviously I have been heavily involved, wearing both hats, in most of the things that have gone on, and I think the C.O.M. would want issues resolved if possible. They might not intervene in them, but they would want to get things sorted out. I think that is what we have always done up until now and I do not see why that would be changing. I think that is what we would want to happen.

Senator S.C. Ferguson:

Super. Anything else, Richard?

Deputy R.J. Rondel of St. Helier:

That is it.

The Deputy of St. Ouen:

No, thank you.

Mr. M. Richardson:

Thank you very much for giving us the opportunity, I appreciate that. Thank you very much.

[15:31]