

STATES OF JERSEY



SOCIAL SECURITY FUND: REPAYMENT OF STATES CONTRIBUTION FOR 2020 (P.44/2020) – COMMENTS

**Presented to the States on 7th May 2020
by the Council of Ministers**

STATES GREFFE

COMMENTS

Deputy K.F. Morel of St. Lawrence's proposition ([P.44/2020](#)) asks the Assembly –

- (a) to agree that the sum of £65.3 million should be paid to the Social Security Fund to compensate for the lack of any contribution by the States to the Fund in 2020; and
- (b) to request the Council of Ministers to include a structured proposal within the 2021 Government Plan for such funding to be made within the next 15 years.

The Council of Ministers opposes this proposition.

[P.31/2020](#) was put forward by the Minister for Social Security, and adopted by the States Assembly, on the basis that –

- additional funding was urgently needed in 2020 to address the consequences of the Covid-19 pandemic; and
- the Social Security Fund and Social Security Reserve Fund are in a healthy financial position and could sustain cancellation of the contribution in 2020.

This position has been further reinforced since the Assembly's approval on 2nd April. It is now clearer that significant additional financial resources will be needed, not only to address the health consequences of the pandemic, but also to support Jersey's economy through the current phase and into recovery. There is likely to be a need to repay borrowing, or replenish reserves (the Stabilisation and Strategic (Reserve) Funds), or both. As a result, there will be a need to consider measures to address these financial challenges. Adding a further financial commitment to make a payment of £65.3 million would add to these requirements.

It should be noted that the sum of £65.3 million has not been removed from the Social Security Fund, and the proposition proposes that £65.3 million should be paid into the Fund. The Fund (and the Social Security (Reserve) Fund) can comfortably accommodate cancellation of the 2020 contribution as a one-off, practical solution to a short-term funding need. The Social Security (Reserve) Fund remains healthy. At the end of 2019, the Reserve Fund held just under £2 billion. This provides a significant reserve to support the future cost of pensions and benefits for many years. The next actuarial review will be undertaken in 2022 based on the 31/12/2021 position. The timing of the review is designed to support the new Council of Ministers in agreeing the level of contributions and benefits in line with their strategic priorities and the performance of the Funds at that time. That timing also allows for a better understanding of the demographic and economic impacts of the pandemic. The latest actuarial review (published as [R.31/2019](#)) indicates that the Social Security (Reserve) Fund balance is projected to remain healthy for the next 60 years, and will still stand at 5.5 times annual expenditure in 2077.

The Council of Ministers understands and appreciates the motive behind this proposition and is committed to the principle of protecting the Social Security Funds for the benefit of Islanders. However, in this instance, the Council considers that the potential benefits to the Funds of reinstating the one-off payment are greatly outweighed

by those benefits to individuals and the economy from retaining that spending ability within future Government Plans, where it can be directed to addressing areas of need and supporting a recovery that will clearly extend far beyond the immediate health impacts of the pandemic. Value for money is about using financial resources where they will have maximum benefit. In this case the Council is firmly of the view that it is very clear where those maximum benefits can be achieved.

The Council urges Members to reject this proposition.