STATES OF JERSEY

DRAFT PUBLIC EMPLOYEES (PENSION SCHEME) (FUNDING AND VALUATION) (JERSEY) REGULATIONS 201-

Lodged au Greffe on 18th August 2015
by the States Employment Board

STATES GREFFE

Jersey

DRAFT PUBLIC EMPLOYEES (PENSION SCHEME) (FUNDING AND VALUATION) (JERSEY) REGULATIONS 201-

REPORT

---

1. BACKGROUND

The States Employment Board, at its meeting on 13th July 2015, agreed to lodge the following draft Regulations under the Public Employees (Pensions) (Jersey) Law 2014.

Following States approval of P.28/2014 – the Public Employees (Pensions) (Jersey) Law 2014 ("the Law") – on 21st May 2014, it was referred to H.M. Privy Council, where it received Royal Assent on 16th July 2014, and was subsequently registered in the Royal Court on 25th July 2014. The Law provides the powers for establishing, by Regulations, a reformed pension scheme for States employees (excluding teachers at this time).

2. THE DRAFT REGULATIONS

The draft Regulations primarily deliver the provisions of the new Public Employees Pension Scheme ("PEPS") as well as the governance and administration across both the PEPS and the Public Employees Contributory Retirement Scheme ("PECRS"). The main focus is on the benefits and membership of the PEPS, as well as the funding, actuarial valuations, administration and transition of both the PEPS and the PECRS ("the respective schemes").

The draft Regulations have been developed and refined following a sustained consultation period with the Committee of Management ("the Committee") and their professional advisers during 2014 and 2015, and following an extensive negotiation process involving members of the Joint Negotiation Group ("JNG") who negotiate pension provision for the majority of States employees. Following consultation and negotiation, the Regulations are considered the best option for a sustainable, affordable and fair pension scheme for all States employees.

In order for the new PEPS to commence for all new employees on 1st January 2016, Regulations pursuant to the Law need to be agreed by the States.

The Regulations that have been drafted are as follows –

- Public Employees (Pension Scheme) (Administration) (Jersey) Regulations 201- ("the Administration Regulations") (P.96/2015)
- Public Employees (Pension Scheme) (Funding and Valuation) (Jersey) Regulations 201- ("the Funding and Valuation Regulations") (P.97/2015)

- Public Employees (Pension Scheme) (Membership and Benefits) (Jersey) Regulations 201- ("the Membership and Benefit Regulations") (P.98/2015)
- Public Employees (Pension Scheme) (Transitional Provisions, Savings and Consequential Amendments) (Jersey) Regulations 201- ("the Transitional Regulations") (P.99/2015).

To assist States Members in understanding the Regulations, an individual report has been prepared for each set of Regulations. This particular report will focus on the Funding and Valuation Regulations.

3. THE FUNDING AND VALUATION REGULATIONS

The Funding and Valuation Regulations provide for the actuarial valuations, funding arrangements and mechanisms for determining pension increases, accrual rates and contribution rates with the aim of ensuring that the respective schemes are sustainable and affordable for the long term. This includes the requirements for a Funding Strategy Statement to be prepared and agreed prior to the completion of an actuarial valuation. The Regulations cover the actuarial valuation process, the agreement of assumptions and the option for the Chief Minister to request an actuarial valuation at any time. The Regulations include a requirement for a rates and adjustments certificate that will specify the Scheme accrual rate, annual pension increases, revaluation rate for the benefits in the PEPS, and employer and member contribution rates including interim and transitional contribution rates. The Regulations also cover the cost caps and the calculation and control of funding levels.

These Regulations cover the arrangements for the funding and valuation of the PEPS and the PECRS from 1st January 2016 onwards and, along with the Administration Regulations, will effectively replace the current Public Employees (Contributory Retirement Scheme) (General) (Jersey) Regulations 1989 ("the General Regulations").

The structure of the Funding and Valuation Regulations is set out so that it establishes arrangements for a funding strategy and valuations, and then considers the determination of rates, cost caps and control of funding levels and Scheme Assets. Schedules 1 to 5 detail the interim and transitional contribution rates, as well as the repayment of the pre-1988 liability.

4. FUNDING STRATEGY AND VALUATIONS

Funding Strategy Statement

The current Regulations do not require a Funding Strategy Statement to be prepared and agreed prior to an actuarial valuation. It is best practice for pension schemes to prepare and agree a Funding Strategy Statement in advance of the completion of an actuarial valuation, and this new requirement has been included in these Regulations.

A Funding Strategy Statement defines the basis on which an actuarial valuation is undertaken and will enable the employer to understand, influence and accept the basis of actuarial valuations being proposed by the Committee of Management. This important new requirement will give the employer oversight into the pension funding arrangements. It will also outline the methodology for adjusting annual pension increases and revaluation rates to address any past service deficits, and the methodology for adjusting future accrual rates and contribution rates, up to the contribution cap, to address changes in future service costs. The Funding Strategy Statement will be agreed by the Minister for Treasury and Resources and published.

The Funding Strategy Statement will set out the –

- methodology for allocating the employer and member contributions to the respective Schemes;
- methodology for sharing costs between employer and member, up to the contribution cost cap of 16.5% of pensionable earnings defined in the Law, and how the expected 2:1 funding ratio will apply with the "2" being the employer proportion of contributions and "1" being the member proportion of contributions;
- methodology for the allocation of administration, investment and other costs attributable to the respective schemes;
- principles for setting assumptions including a requirement for "prudent" assumptions to be used for the PEPS;
- principles for the calculation of transferred retirement benefits, additional voluntary contributions and actuarial reductions for early retirement;
- level of prudence to be applied in the setting of assumptions;
- methodology for adjusting annual pension increases, contribution rates, accrual and revaluation rates;
- risks to the solvency of the fund and mitigation of such risks;
- process for implementing adjustments to annual pension increases, contribution rates, accrual and revaluation rates;
- method for accounting for any costs in relation to transfers in and transfers out of the respective schemes.

There are some transitional costs associated with the pension changes, and these Regulations define those costs. They include the costs of phasing the increase in the member and employer contribution rate, the costs of allowing some members, in particular those closest to retirement, to remain in the PECRS, and the costs of allowing certain PECRS benefits to be payable to nominated co-habiting partners. These costs are defined for clarity and to prevent any future misinterpretation.

Deficits in the scheme resulting from past service will be funded from changes to the accrued benefits payable through reductions to pension increases and revaluation rates of those accrued benefits. The ability to reduce accrued benefits to minimum levels offers the Schemes significant flexibility to manage funding pressures, and is consistent with the current arrangements for the PECRS scheme where scheme member benefits are at risk. In undertaking actuarial valuations of the respective schemes, the Scheme Actuary needs to have clear direction on the sequence of prioritisation that funding must be applied.

- The minimum level of benefits to be provided on PECRS benefits will be accrued benefits with no inflationary increase in all future years. The Regulations specify that member and employer contributions must be applied to firstly fund the accrued PECRS benefits with no inflationary increase.
- The minimum level of benefits to be provided in PEPS will be accrued benefits increased by an annual pension increase of 50% of Jersey RPI and accrued benefits of active members revalued by 50% of Jersey RPI plus 1%. The Regulations state that member and employer contributions must be secondly applied to funding the accrued benefits in the PEPS at these minimum levels.

- After funding accrued benefits at minimum levels, member and employer contributions are allocated to fund the future accrual of benefits in the PECRS and the PEPS.

The Regulations require the methodology by which deficits are funded via reductions to benefits to be outlined in the Funding Strategy Statement.

Actuarial valuations

The Regulations define the requirements for the Actuary in preparing an actuarial valuation. The Regulations require an actuarial valuation of the respective schemes to be undertaken on 31st December 2016, 31st December 2018 and 31st December 2021. The Scheme Actuary will be required to separately value the PECRS and PEPS. This is necessary so as to ensure no cross-subsidisation between the Schemes.

The Regulations introduce timescales for the completion of actuarial valuations, and this is important to ensure that any emerging funding issues are addressed by the cost controls contained in these Regulations, including the ability to reduce benefits. The Regulations require the Committee to present to the Chief Minister an actuarial valuation within 15 months of the valuation date.

The Scheme Actuary will be required, in future, to complete an actuarial valuation whilst having regard to the Funding Strategy Statement that is agreed by the Minister for Treasury and Resources. The Regulations introduce new provisions requiring the Scheme Actuary to sign a rates and adjustment certificate that will specify the future accrual rate for the PEPS, annual pension increase for the respective schemes, employer contribution rates (up to the contribution cap defined in the Law), member contribution rates and the revaluation rate for the PEPS. This is a common requirement in pension schemes and is being introduced into the PEPS to ensure transparency of decisions.

The Regulations include a new requirement for the Scheme Actuary to separately identify a primary and secondary employer and member contribution rate. The primary rate will be the cost of future accrual of benefits in the respective schemes. The secondary contribution rate will be the rate of employer and member contribution that the primary rate needs to be adjusted to fund accrued benefits at the minimum benefit levels. This is aimed at providing transparency and to clearly identify any funding issues facing the respective funds. The primary and secondary contribution rates will be calculated by the Scheme Actuary in line with the Funding Strategy Statement that is agreed by the Minister for Treasury and Resources.

The Regulations also require that the Scheme Actuary includes within the actuarial valuation report an assessment of whether a change in funding level is due to long-term trends of a demographic, investment or other nature. This is aimed at ensuring that emerging long-term funding issues are not disguised by short-term favourable investment outcomes, and that long-term funding issues are addressed at an early stage.

Agreement to the setting of assumptions

The Scheme Actuary currently set assumptions for the valuation of the PECRS without any requirement for consultation with the States. The States has a clear interest in the sustainability, affordability and fairness of the Scheme, and new Regulations have therefore been included on the setting of actuarial assumptions for all future actuarial valuations.

In future the Scheme Actuary will be required to consult with the Minister for Treasury and Resources and Treasurer of the States in addition to the Committee on actuarial assumptions. It will be a requirement that the Scheme Actuary obtains the agreement of the Minister for Treasury and Resources and the Committee on the assumptions to be used for the actuarial valuation of the PEPS.

The PEPS has been costed using prudent assumptions agreed by the employer's Actuary. In order to prevent a gradual weakening of those assumptions towards "best estimate" assumptions, the Regulations state that "prudent" assumptions must be used for the actuarial valuation of PEPS benefits. The new requirement to obtain the agreement of the Minister for Treasury and Resources on the assumptions for PEPS actuarial valuations provides further reassurance that it will not be possible for the Committee to unilaterally weaken the actuarial assumptions.

It is necessary to include provisions for a situation where there is no agreement to the assumptions and timescales. In the event that there is no agreement on the "prudent" assumptions to be used for the PEPS, the President of the Institute and Faculty of Actuaries will be requested to nominate an independent actuary to determine the assumptions.

In relation to the PECRS the States will also have greater oversight. The Scheme Actuary will be required to seek the agreement of the Minister for Treasury and Resources as well as the Committee on the assumptions to be used for the future actuarial valuations of the PECRS.

Actuarial valuations at the request of the Minister

The current Regulations allow for the Chief Minister to request an actuarial valuation to be conducted at any time, and this has been retained in these Regulations. This will ensure that the Chief Minister has the ability to ensure that emerging funding issues are understood and addressed.

Implementation of rates and adjustments certificate

The current Regulations have no deadlines for changes to pension increases resulting from actuarial valuations to be implemented. Under the PEPS there will be a wider range of rates that can be adjusted to ensure the scheme remains affordable and sustainable, and it is necessary to include a deadline for when these will be implemented after an actuarial valuation. The Regulations require that the rates and adjustments certificate is implemented by no later than then 3rd year following a valuation date. This is effectively 2 years and 1 day after the valuation date and is a reasonable timescale given the time necessary to complete actuarial valuations and obtain the necessary agreements required in the Regulations.

5. RATES

Scheme Accrual Rate

It is necessary to define the initial accrual rate that will be applied to PEPS accrual. The Scheme accrual rate for the PEPS benefits is defined in the Regulations at 1/66th of the pensionable earnings paid to active members. The accrual rate can be adjusted following an actuarial valuation, but it can never be improved to a rate greater than 1/66th. This is necessary to provide a mechanism for adjusting benefits to ensure the Scheme is affordable and sustainable for the future.

Annual increases in pension

It is necessary to define the annual pension increases to be applied to the respective schemes. The annual pension increase can be adjusted as a result of an actuarial valuation. In the rates and adjustments certificate, the Scheme Actuary will specify the proportion of Jersey RPI that is affordable to pay until the next actuarial valuation is completed. This is necessary to provide a mechanism for ensuring the Scheme is affordable and sustainable for the future.

The minimum annual pension increase in respect of the final salary scheme will be 0% of Jersey RPI and a maximum of 100% of Jersey RPI. This is consistent with the current arrangements in the PECRS General Regulations, which allow for the Committee to cancel any increase to pensions in payment.

The PEPS has been costed to include a minimum pension increase. The minimum annual pension increase in respect of PEPS benefits will be 50% of Jersey RPI and a maximum of 100% of Jersey RPI.

There will be no repayment to scheme members, at a later date, of any pension increase that is paid below full Jersey RPI.

Revaluation rate

It is necessary to define the revaluation rate that will apply to increasing accrued PEPS benefits for members in service.

The future revaluation rate can be adjusted as a result of an actuarial valuation. In the rates and adjustments certificate, the Scheme Actuary will specify the proportion of Jersey RPI that it is affordable to pay until the next actuarial valuation is completed. This is necessary to provide a further mechanism for ensuring the Scheme is sustainable and affordable for the future.

The initial revaluation rate that will be applied to the PEPS will be Jersey RPI + 1%. At future actuarial valuations it will be possible to reduce the future rate of revaluation to a minimum of 50% of (Jersey RPI + 1%). The maximum revaluation is defined in Regulations as 100% of (Jersey RPI + 1%).

Negative AIRPI

The Regulations need to deal with all eventualities however remote, and it is necessary to define what will happen to benefits in a period of deflation (negative Jersey RPI). The policy is to assume inflation is 0% in this circumstance and not impose a cash reduction to benefits.

Employer and member contribution rates

The contribution rates to be paid by the employer and the member are to be specified in the rates and adjustments certificate. The provision defines the calculation of the aggregated member contribution rate, which comprises the uniform and non-uniform member contribution rates.

The Law sets out the employer contribution cost cap as being 16.5% of pensionable earnings. This Regulation states that the employer contributions specified in the rates and adjustments certificate must not exceed what is stated in the Law.

There is also a requirement on employers to pay the appropriate contributions to the Administrator within one month of such contributions falling due.

Interim rates

Employer and member contribution rates will not be impacted by any valuation occurring as at a date earlier than 31st December 2021 so as to allow the agreed phasing-in of contributions to be achieved. This will mean that the schedules of employee and employer contributions will be fixed until that valuation date.

This provision also provides for the accrual rate, annual pension increase rates, annual pension increases and revaluation rates in the interim period.

Scheme member transitional contribution rates

This Regulation informs that Schedule 2 sets out the contribution rates that will be payable by members of the PECRS who move into the PEPS as of 1st January 2019. No valuation undertaken prior to 31st December 2021 will affect the rates payable by these members.

Continuing members of the 1967 Scheme – transitional contribution rates

This Regulation informs that Schedule 3 sets out the contribution rates that will be payable by members of the PECRS who have taken the option to remain a member of the PECRS as at 1st January 2019. No valuation undertaken prior to 31st December 2021 will affect the rates payable in respect of these members

Employer transitional contribution rates

This Regulation informs that Schedule 4 sets out the contribution rates that will be payable by employers who have either transitioned into the PEPS at 1st January 2019 or opted to remain in the PECRS. No valuation undertaken prior to 31st December 2021 will affect the rates payable in respect of these members

6. COST CAPS AND CONTROL OF FUNDING LEVELS

Employer and member contribution cost cap

Any costs that are outside of the contribution cost cap are set out in this provision, these are –

- costs of repaying the pre-1988 debt which is a separate arrangement and contained in the Schedules;
- costs that could be charged to an Admitted Employer if it were to leave the Scheme and there was a deficit in the scheme with respect to their scheme members and the benefits they have accrued;
- costs that could be charged to an Admitted Employer if their actions incur additional liabilities to the Scheme.

It is necessary to provide for eventualities where circumstances require liabilities to be funded by Admitted Bodies. In the event that an Admitted Employer leaves the Scheme, any deficit relating to their liabilities should be funded by the Admitted Employer so as to prevent cross-subsidisation between employers.

This Regulation also provides for the aggregate member contribution rate to be increased above 8.25% where trade unions agree to such an increase. This is necessary to provide future flexibility that will allow members only to fund any increasing costs of the Scheme above the contribution caps.

Funding levels

A funding corridor between 95% and 105% is defined within this provision which enables the Committee, subject to the agreement of the Chief Minister, to not make small changes to benefits as a result of a small deficit or small surplus. Where the Scheme Actuary determines at an actuarial valuation that the funding level of the respective schemes is outside of this corridor, action needs to be taken to bring the funding back to a stable level.

How the funding levels of the respective schemes are calculated has also been defined within this Regulation.

The aim of this provision is to provide some flexibility so as not to need to make small changes to benefits with the Chief Minister's agreement.

Transitional costs of funding benefits under the respective schemes

This provision defines how the Scheme Actuary is to deal with the transitional costs of the scheme changes up to 31st December 2032. It provides clarity to the Scheme Actuary how these costs will be dealt with in any actuarial valuation up to this date.

The aim of this provision is to ensure that benefits are not impacted by phasing repayment of the transitional costs over a 14 year period.

7. 1967 SCHEME ASSETS

Ring-fencing of 1967 Scheme assets

This provision requires that assets of the final salary scheme up to 31st December 2018 shall only be used for the purpose of funding benefits under that scheme. This ensures that assets are ring-fenced for the purpose to which they were received.

Re-payment of the pre-1988 liability

This provision requires that the pre-1988 liability is considered to be an asset of the final-salary scheme. The liability relates to final salary benefits and therefore it must be considered an asset of the final salary scheme.

SCHEDULE 1 – Interim Rates

Schedule 1 details the interim pension increase, the revaluation rates and contribution rates and the dates to which those rates and increases are to be applied.

Accrual rate until 31st December 2020

The accrual rate for the PEPS will be 1/66th of pensionable earnings, and this paragraph ensures that there will be no change to that accrual rate until 31st December 2020. The first adjustment to the accrual rate, if any, will not take effect until 1st January 2021. It was agreed through the negotiation process that no benefits would be adjusted in the PEPS until 2021.

Increases in pension rate for 1967 Scheme until 31st December 2018 and rate for Scheme until 31st December 2020

Following the valuation as at 31st December 2016, the pension increases for the PECRS will be applied from 1st January 2019 in accordance with the rates and adjustment certificate as specified under Regulation 6 of these Regulations. If there is any adjustment to the pension increase as a result of a valuation as at 31st December 2016, pension increases will be adjusted accordingly.

Conversely, this provision ensures that the pension increase for the PEPS will remain at 100% of Jersey RPI in the period up to and including 31st December 2020, no matter what the result of the valuation as at 31st December 2016. As with the accrual rate, the first adjustment to the pension increase, if any, will not take effect until 1st January 2021.

Revaluation rate until 31st December 2020

As with the pension increase under the PEPS, this provision ensures that the revaluation rate will not be altered in the period up to and including 31st December 2020. The revaluation rate for all members of PEPS will be maintained at Jersey RPI + 1% until 1st January 2021. If there was any change in the rate due to the valuation as at 31st December 2018, then the adjusted rate will apply from 1st January 2021.

Scheme – employer and member contribution rates until 31st December 2023

Along with the pension increase and the revaluation rate, this provision ensures that the contribution rates for the employer and the member of the PEPS will not be altered in the period up to and including 31st December 2023. Only after this date could the contribution rates be increased above their respective rates. The employer contribution rate can never be increased above the cost cap of 16.5% of pensionable earnings.

1967 Scheme – employer and member contribution rates until 31st December 2018

This paragraph of Schedule 1 outlines the contribution rates that members of the PECRS will be paying up to 31st December 2018. From 1st January 2019, members of the PECRS and members who move from the PECRS to the PEPS will start to see their contribution rates increase to the rates paid by all new employees of the PEPS.

SCHEDULE 2 – Transitional Contribution Rates

Schedule 2 sets out the transitional contribution rates that are to be paid by members of the PECRS who have moved into the PEPS from 1st January 2019. The rates will increase from their current PECRS rates to 7.75% for ordinary members and 10.10% for uniformed members over a period of 3, 4 or 5 years. There is also provision to protect the maximum rate a member has to pay until the first rates and adjustment certificate applied after 1st January 2024.

SCHEDULE 3 – 1967 Scheme continuing members' transitional contribution rates

Schedule 3 sets out the transitional contribution rates that are to be paid by members of the PECRS who have opted to remain in the PECRS as at 1st January 2019. The rates will also be increased from their current PECRS rates to 7.75% for ordinary members and 10.10% for uniformed members over a period of 3, 4 or 5 years. There is also provision to protect the maximum rate a member has to pay until the first rates and adjustment certificate applied after 1st January 2024.

SCHEDULE 4 – Employer Transitional Contribution Rates

Schedule 4 sets out the transitional contribution rates that are to be paid by employers as at 1st January 2019. The employer contribution rate is to be phased in from 13.6% to 16% over 3 years. There is also provision to protect the maximum rate an employer has to pay until the first rates and adjustment certificate applied after 1st January 2024.

SCHEDULE 5 – Repayment of the pre-1988 liability

This Schedule replicates the provisions within Regulation 4A of the Public Employees (Contributory Retirement Scheme) (General) (Jersey) Regulations 1989, but has been amended to include the States' commitment to accelerate the repayment of the pre-1988 debt that will result in a repayment date of 29th September 2053.

The closing of the final-salary pension scheme to new entrants from 31st December 2015 means that it is necessary to ensure that the cashflows into the final-salary scheme from the States' repayment of the pre-1988 liability match the pension payment profile for the accrued benefits to be paid from this scheme, The pre-1988 debt therefore needs to be repaid by 2053 to match the expected profile of cashflow payment from the PECRS. Funding to achieve this repayment date was agreed by the States in MTFP1.

8. PREPARING FOR IMPLEMENTATION

The draft Regulations would come into force as below –

(a) 1 to 12, 16 and 17, 19 to 21 and Schedules 1 and 5 shall come into force on the 1st commencement date, 1st January 2016, on the same date as the Public Employees (Pensions) (Jersey) Law 2014, and the same date as the new PEPS Scheme commences; and

(b) 13 to 15 and 18, and Schedules 2 to 4 shall come into force on the 2nd commencement date, 1st January 2019.

9. FINANCIAL AND MANPOWER IMPLICATIONS

These Regulations introduce, for the first time, a cost cap on the employer contributions into the pension scheme of 16.5% of pensionable earnings. The long-term costs of providing public service pensions will be contained within this cost cap because these Regulations provide for a wider range of ways that benefits can be reduced to maintain affordability – reducing the pension increase, reducing the revaluation rate of accrued benefits, reducing the future accrual rate and increasing member contribution rates.

There are financial implications that arise as a result of these Regulations. The employer contribution rate for new entrants from 2016 will be 16% and may require estimated additional funding of £185,000 in 2016. The financial implications in the period 2016–2018 will be dependent on the number of new employees. The employer contributions in respect of existing members will increase from 2019 onwards and will require estimated additional funding of £2 million in 2019, £4 million in 2020 and £6 million in 2021. Non-uniform scheme members will see their contribution rates typically increase from 5% to 7.75% of pensionable earnings and uniform members will see their contributions increase from 5% to 10.1% of pensionable earnings.

These additional costs in the period to 2021 will enable the Employer to contain the long-term costs of increasing longevity and achieve a contribution cost cap on employer contributions to public service pensions.

Explanatory Note

These draft Regulations are divided into 6 Parts and 5 Schedules as follows –

Part 1 (Regulation 1) contains the interpretation provisions;

Part 2 (*Regulations 2* to *6*) provides for production of the funding strategy statement and actuarial valuations;

Part 3 (Regulations 7 to 15) provides for the various rates payable in relation to the Public Employees Pension Scheme (the “Scheme” established under the Public Employees (Pensions) (Jersey) Law 2014) and the Public Employees Contributory Retirement Scheme 1967 (the “1967 Scheme” established under the Public Employees (Retirement) (Jersey) Law 1967) (collectively referred to as the “respective schemes”);

Part 4 (*Regulations 16* to *18*) provides for the operation of cost caps and funding level controls in relation to the respective schemes;

Part 5 (*Regulations 19* and *20*) provides for the assets and debts of the 1967 Scheme;

Part 6 (*Regulation 21*) contains closing provisions;

Schedule 1 sets out the interim rates for the Scheme’s accrual rate, the annual pension increase rates to be applied to pensions under the respective schemes, the Scheme’s revaluation rate, the Scheme’s employer and member contribution rates, and the employer and member contribution rates for the 1967 Scheme which are applicable until the dates specified in that Schedule;

Schedule 2 sets out the transitional contribution rates payable by transition members applicable until 31st December 2023. The expression “transition members” is defined in *Regulation 1*, but it essentially means certain employees who are presently contributing members of the 1967 Scheme and who would, if the States so approve, automatically become active members of the Scheme on 1st January 2019 by reason of Regulation 2 or 3(2)(a) or (c) of the Public Employees (Pension Scheme) (Transitional Provisions, Savings and Consequential Amendments) (Jersey) Regulations 201-) (the “Transitional Regulations”);

Schedule 3 sets out the transitional contribution rates payable by “continuing members” of the 1967 Scheme (as defined in Regulation 3(2)(b) of the Transitional Regulations) applicable until 31st December 2023;

Schedule 4 sets out the employer transitional contributions rates in respect of continuing members of the 1967 Scheme or transitional members, applicable until 31st December 2023;

Schedule 5 contains the pre-1988 liability re-payment provisions in relation to the 1967 Scheme.

Part 1: Interpretation

Regulation 1 defines words and expressions routinely used throughout these draft Regulations. In particular the expression “1st commencement date” means, if the States so approve, 1st January 2016 for the commencement of phase 1 of the Scheme’s implementation. “2nd commencement date” means 1st January 2019 for the implementation of phase 2, when the majority of members of the 1967 Scheme would transition to membership of the Scheme.

Part 2: Funding strategy and valuations

Regulation 2 contains the provisions which underpin the production of the funding strategy statement ("FSS") which is the principal tool for the conduct of actuarial valuations of the fund ("fund" is defined in Article 5 of the Public Employees (Pensions) (Jersey) Law 2014 (the "Law")). The FSS must be agreed between the Committee and the Minister for Treasury and Resources and first published by the Committee no later than 31st December 2017. It must be kept under regular review and revised accordingly. *Regulation 2(2)(c)* sets out the matters which must be contained in the FSS including the actuarial methodologies and assumptions to be applied for the purposes of setting contribution rates for funding the retirement or other benefits under the respective schemes.

Regulation 3 sets out the requirements which underpin the process for actuarial valuations of the fund. A valuation must occur at least every 3 years with the first valuation under these Regulations taking place as at 31st December 2016. This draft Regulation sets out the time-frame in which the valuation must be completed and the information which must be contained in the valuation report and the rates and adjustments certificate. The latter is a document which specifies actuarial adjustments to the Scheme's accrual and revaluation rate, and the annual pension increase rate and employer and member contribution rates for the respective schemes.

Regulation 4 would require the Actuary, following consultation with the Committee and the Minister for Treasury and Resources, to decide on the appropriate actuarial assumptions to be applied in respect of the valuation. In relation to the costs of funding Scheme benefits (i.e. liabilities), the Actuary would be required to apply assumptions that are more likely to overestimate than underestimate the amount of money required to meet the costs of funding the liabilities of the Scheme (i.e. "prudent assumptions"). In relation to the costs of funding the 1967 Scheme benefits, the Actuary would use "best estimate assumptions". In relation to the Scheme, the Actuary has 18 months from the date of the valuation to reach a decision about the prudent assumptions to be applied, but must first secure the agreement of the Committee and the Treasurer before applying those assumptions. If no agreement is given, the Chief Minister would be required to request the President of the Institute and Faculty of Actuaries to nominate a fellow of the Institute to determine the prudent assumptions to be applied. In relation to the 1967 Scheme, the Actuary would, following consultation referred to above, decide on the assumptions to be applied and aim to obtain agreement to those assumptions from the Committee and the Minister for Treasury and Resources. If there is no agreement within 12 months of the valuation, the assumptions as originally determined by the Actuary would apply in default.

Regulation 5 would provide for the Minister to require the Committee to instruct the Actuary to undertake a valuation as at different date from the triennial cycle.

Regulation 6 would provide for the Administrator of the respective schemes ("Administrator" is defined in Regulation 19 of Public Employees (Pensions) (Administration) (Jersey) Regulations 201- (the "Administration Regulations")) to implement, by 1st January of the 3rd year following the valuation date, the rates specified in the rates and adjustments certificate.

Part 3: Rates

Regulation 7 sets out the definition of "accrual rate" which for the purposes of the Scheme would, as from the 1st commencement date, be 1/66th of an active member's pensionable earnings paid in each scheme year of pensionable service ("pensionable earnings" is defined in Regulation 4 of the Membership and Benefits Regulations and "pensionable service" is defined in *Regulation 1* of these draft Regulations). The Actuary may, subject to the application of the FSS methodologies specified in *Regulation 2*, and subject to *Regulation 16*, only adjust the 1/66th accrual rate to a lower rate. The 1/66th accrual rate is an interim rate which would apply until 31st December 2020 as specified in paragraph 1 of Schedule 1.

Regulation 8 would provide for the application, from 1st January each year, of an annual pension increase to deferred retirement benefits and retirement benefits in payment under the respective schemes. The rate would be a percentage of the All Items Index Rate for Jersey ("AIRPI"). For retirement benefits under the Scheme the increase would be subject to a minimum of 50% to a maximum of 100% of AIRPI, and for the 1967 Scheme, the increase would be subject to a minimum of 0% to a maximum of 100% of AIRPI. This Regulation would be subject to the interim rates specified in paragraph 2 of Schedule 1 which in the case of the 1967 Scheme, would apply until 31st December 2018, and in the case of the Scheme, would apply until 31st December 2020.

Regulation 9 would provide for the setting of the rate for the annual revaluation of retirement benefits under the Scheme (i.e. for the purposes of producing career average revalued earnings retirement benefits). The rate would be determined by the Actuary and specified in the rates and adjustments certificate, and would be calculated on the basis of (AIRPI+ 1%) x a percentage rate of between 50% to 100%. This Regulation would be subject to the interim rate specified in paragraph 3 of Schedule 1 which would apply until 31st December 2020.

Regulation 10 would provide for a default rate of 0% AIRPI in the event of negative inflation.

Regulation 11 would provide for the setting of employer and member contribution rates for the respective schemes which would be specified in the rates and adjustments certificate. The employer contribution rate would be subject to a cap which must not exceed 16.5% of the pensionable earnings of all members of the respective schemes. The member contribution rate would be subject to a cap of 8.25% of pensionable earnings, but that cap could be increased in the circumstances set out in *Regulation 16.* This Regulation also sets out the process for the payment of contributions. The setting of contributions under this Regulation would be subject to the interim and transitional contribution rates specified in *Schedules 1* to *4.* Accordingly, once the interim and transitional periods specified in those Schedules have expired, the contribution rates would be set according to the provisions set out in this Regulation.

Regulation 12 introduces *Schedule 1* which specifies the Scheme's interim accrual rate which would apply from the 1st commencement date until 31st December 2020; the annual pension increase rate for the respective schemes, which in the case of the 1967 Scheme would apply from the 1st commencement date until 31st December 2018, and in the case of the Scheme, would apply from the 1st commencement date until 31st December 2020; the Scheme's annual revaluation rate which would apply from the 1st commencement date until 31st December 2020, and the employer and member contribution rates, which in the case of the Scheme would apply until 31st December 2023, and in the case of the 1967 Scheme, would apply until 31st December 2018 (i.e. the day before the 2nd commencement date). *Regulation 12* would, apart from the annual pension increase rate and employer and member contribution rates in respect of the 1967 Scheme, fix all the other rates specified in Schedule 1 in respect of the Scheme until the dates specified in that Schedule notwithstanding the impact of any valuations occurring before those dates.

Regulation 13 introduces *Schedule 2* which specifies the transitional contribution rates payable from the 2nd commencement date by transition members (as defined in *Regulation 1*). The transitional contribution rates would gradually increase over a 5 year period but would remain as fixed by the Schedule up to and including 2023, notwithstanding any valuation occurring before 31st December 2021.

Regulation 14 introduces *Schedule 3* which specifies the transitional contribution rates payable from the 2nd commencement date by continuing members of the 1967 Scheme. The expression "continuing members of the 1967 Scheme" is defined in Regulation 3(2)(b) of the Transitional Regulations but essentially means members of the 1967 Scheme who do not become automatic members of the Scheme on the 2nd commencement date. As with the transitional contribution rates for transition members under *Schedule 2*, the transitional contribution rates for continuing members of the 1967 Scheme would gradually increase over a 5 year period but would remain as fixed by the Schedule up to and including 2023 notwithstanding any valuation occurring before 31st December 2021.

Regulation 15 introduces *Schedule 4* which specifies the transitional contribution rates payable from the 2nd commencement date by employers of continuing members of the 1967 Scheme or transition members. The employer transitional contribution rates would increase over a 2 year period but would remain as fixed by the Schedule up to and including 2023, notwithstanding any valuation occurring before 31st December 2021.

<u>*Part 4*: Cost caps and control of funding levels</u>

Regulation 16 would provide for the setting of an employer and member contribution cost cap for the purposes of Article 7 of the Law. The Law requires the respective caps to operate as a cap on the cost of funding the retirement benefits and other benefits granted under the respective schemes attributable to members and employers. The cap is a rate expressed as a percentage of pensionable earnings. The Law requires that the employer contribution cost cap set by the Regulations must not exceed 16.5% of pensionable earnings. *Regulation 16(1)(a)* would set the employer contribution cost cap at the maximum permitted rate of 16.5%. Contributions relating to the re-payment of the 1967 Scheme pre-1988 liabilities by an "admitted employer" (defined in *Regulation 1*) and other contributions which are payable as a result of a shortfall in the assets of an admitted employer, are not included within the cap. *Regulation 16(1)(b)* would set the member contribution cost cap at half that of the employer rate, i.e. 8.25% of pensionable earnings. If at a valuation the Actuary concludes that the cost of funding the future accrual of benefits under either or both of the respective schemes is unaffordable within the employer and member contribution cost caps, the Minister would be required to consult with the trade unions, as to whether or not there is agreement to a rise in the rate of the member contribution cost cap. If no agreement is given within a period of 3 months, the Actuary would decide on the adjusted accrual rate for the Scheme (which would be reduced from 1/66th) and that reduced accrual rate would be specified in the rates and adjustments certificate. If there is agreement to a rise in the member contribution cost cap, the Actuary would adjust the member contribution rates in the rates and adjustments certificate to reflect the increase in the cap.

Regulation 17 would provide the mechanism by which the Actuary assesses at each valuation of the fund whether the respective schemes are operating within a funding corridor which specifies the maximum and minimum amounts required to meet the "liabilities", i.e. the benefits payable under the respective schemes. The Committee must aim to secure that there are sufficient assets to fund the liabilities under the respective schemes which means that as at the valuation date the assets of the respective schemes are 100% of the amount required to meet the liabilities of the respective schemes. If the Actuary certifies that the respective schemes are operating within their maximum and minimum funding levels, the Committee would be required to determine whether there should be any adjustments to the rates and adjustments certificate. That determination would be subject to the Chief Minister's agreement to be given within 15 months, in default of which the Actuary would determine the rates to be specified in the rates and adjustments certificate. If the Actuary certifies that the respective schemes are operating outside their maximum and minimum funding levels, the Actuary would determine what adjustments may be required to the rates and adjustments certificate so as to restore the respective schemes to their full funding level. However, if the Committee and the Chief Minister agree that no adjustments are necessary, then the Actuary is no longer required to determine any adjustments in respect of the rates and adjustments certificate.

Regulation 18 is a transitional provision which would apply in respect of valuations occurring between the 2nd commencement date and 31st December 2032 (the "transition period"). There are costs attributable to transition members and continuing members of the 1967 Scheme which would equate to 0.8% of total pensionable earnings. Those costs would have to be paid over the transition period. During the transition period the fund's funding levels would be evaluated under *Regulation 17* but where the Actuary determines that the funding level of either or both of the respective schemes falls below the minimum funding level permitted under *Regulation 17* then this Regulation would apply so as to require the Actuary to reassess the value of the assets to ensure that the effect of the transitional costs does not affect any benefits payable under the respective schemes. The reassessment would take the form of adjusting the assets of the respective schemes to reflect the value of future contributions expected to be received to cover the transitional costs. The Actuary would then determine what adjustments are required (if any) to any of the rates specified in the rates and adjustments certificate.

<u>*Part 5*: 1967 Scheme assets</u>

Regulation 19 would require the Committee to set aside the assets of the 1967 Scheme so that those assets are only to be used for the purposes of funding the benefits provided under that scheme.

Regulation 20 introduces Schedule 5 which sets out the re-payment schedule for the pre-1988 liabilities of the 1967 Scheme.

<u>*Part 6*: Closing</u>

Regulation 21 sets out the title of these Regulations and, subject to the States approval, would provide for specified provisions to come into force on either the 1st commencement date or the 2nd commencement date.

Jersey

DRAFT PUBLIC EMPLOYEES (PENSION SCHEME) (FUNDING AND VALUATION) (JERSEY) REGULATIONS 201-

Arrangement

Regulation

Jersey

DRAFT PUBLIC EMPLOYEES (PENSION SCHEME) (FUNDING AND VALUATION) (JERSEY) REGULATIONS 201-

Made	*[date to be inserted]*
Coming into force	*[date to be inserted]*

THE STATES, in pursuance of Articles 2, 4, 5, 6 and 7 of, and Schedule 1 to the Public Employees (Pensions) (Jersey) Law 2014[1] and Article 3 of the Public Employees (Retirement) (Jersey) Law 1967[2], have made the following Regulations –

PART 1

INTERPRETATION

1 Interpretation

In these Regulations, unless the context indicates otherwise –

"1st commencement date" means 1st January 2016;

"2nd commencement date" means 1st January 2019;

"1967 Scheme" has the meaning given in Article 1(1) of the Law;

"1967 Regulations" means the Public Employees (Contributory Retirement Scheme) (Jersey) Regulations 1967[3];

"1967 Scheme benefits" means retirement benefits accrued under the 1967 Scheme;

"1967 Scheme employer" means an employer –

(a) who, before the 1st commencement date, was admitted to the 1967 Scheme under repealed Regulation 9 of the General Regulations;

(b) who, before the 1st commencement date, was treated as if admitted to the 1967 Scheme under any enactment which provided for that employer to become an employer for the purposes of that scheme in respect of members of that scheme whose employment with the States Employment Board was transferred to that employer; or

(c) who is treated as if admitted to the 1967 Scheme under Regulation 7 of, and paragraph 2(5) of Schedule 1 to, the Membership and Benefits Regulations;

"1967 Scheme Regulations" has the meaning given in Article 1(1) of the Law;

"1992 Regulations" means the Public Employees (Contributory Retirement Scheme) (Former Hospital Scheme) (Jersey) Regulations 1992[4];

"accrual rate" shall be construed in accordance with Regulation 7;

"active member" has the same meaning as in Regulation 1 of the Membership and Benefits Regulations;

"Actuary" means a person appointed in accordance with Regulation 10 of the Administration Regulations, to give actuarial advice in respect of the fund;

"Administration Regulations" means the Public Employees (Pension Scheme) (Administration) (Jersey) Regulations 201-[5];

"Administrator" shall be construed in accordance with Regulation 19 of the Administration Regulations;

"admitted employer" means an employer other than the States Employment Board –

(a) admitted to the Scheme under –

(i) Regulation 7 of, and paragraph 2(1) of Schedule 1 to, the Membership and Benefits Regulations,

(ii) Regulation 16(1) of the Transitional Regulations, or

(iii) Article 10(5) of the Law;

(b) treated as if admitted to the Scheme under any enactment which provides for that employer to become an employer for the purposes of the Scheme in respect of members of the Scheme whose employment with the States Employment Board is transferred to that employer; or

(c) who is a 1967 Scheme Employer;

"AIRPI" means the All Items Retail Prices Index Rate for Jersey as recorded over the year to September of the year preceding the annual pension increase;

"annual pension increase" shall be construed in accordance with Regulation 8;

"assets" means anything tangible or intangible that is owned or controlled to produce an economic value (including investments, debts or cash);

"category A member" and "category B member" has the meaning given in Regulation 1 of the Existing Members Regulations and Regulation 1 of the New Members Regulations;

"category C member" has the meaning given in Regulation 1 of the New Members Regulations;

"Committee" shall be construed in accordance with Article 4 of the Law and Regulation 2 of the Administration Regulations;

"continuing members of the 1967 Scheme" means contributing members of that scheme construed in accordance with Regulation 3(2)(b) of the Transitional Regulations;

"contributing members of the 1967 Scheme" means a –

(a) contributory member;

(b) category A member, category B member, or category C member;

(c) "member" within the meaning of Regulation 1 of the Existing Members Regulations and Regulation 1 of the New Members Regulations, who is not a category A, category B or category C member; and

(d) "member" within the meaning of Regulation 1 of the 1992 Regulations;

"contributory member" has the meaning given in Regulation 4 of the 1967 Regulations;

"deferred or pensioner members of the Scheme" shall be construed in accordance with Regulations 11 and 12 respectively of the Membership and Benefits Regulations;

"deferred or pensioner members of the 1967 Scheme" means –

(a) in the case of a deferred member of that scheme, a person who –

(i) has ceased to make contributions under the 1967 Scheme Regulations, and

(ii) is not in receipt of retirement benefits under those Regulations;

(b) in the case of a pensioner member of that scheme, a person who is in receipt of retirement benefits under the 1967 Scheme Regulations (regardless of whether or not he or she is an active member of the Scheme);

"employer" means an admitted employer or the States Employment Board;

"Existing Members Regulations" means the Public Employees (Contributory Retirement Scheme) (Existing Members) (Jersey) Regulations 1989[6];

"funding level" shall be construed in accordance with Regulation 17;

"funding strategy statement" has the meaning given in Regulation 2;

"General Regulations" means the Public Employees (Contributory Retirement Scheme) (General) (Jersey) Regulations 1989[7];

"Law" means the Public Employees (Pensions) (Jersey) Law 2014[8];

"liabilities" means the costs of future benefits and other outgoings payable under the respective schemes, accrued as at the valuation date;

"members of the respective schemes" means active members of the Scheme and continuing members of the 1967 Scheme;

"Membership and Benefits Regulations" means the Public Employees (Pension Scheme) (Membership and Benefits) (Jersey) Regulations 201-[9];

"Minister" means the Chief Minister;

"New Members Regulations" means the Public Employees (Contributory Retirement Scheme) (New Members) (Jersey) Regulations 1989[10];

"nominated cohabiting partner" has the meaning given in Regulation 3 of the Membership and Benefits Regulations;

"ordinary member" means an active member of the Scheme who is not a uniformed member;

"pensionable earnings" has the same meaning as in Regulation 4 of the Membership and Benefits Regulations;

"pension record" is a record established and maintained in accordance with Regulation 20 of the Membership and Benefits Regulations;

"pensionable service" in relation to the Scheme, means a period of Scheme employment computed in years and complete days;

"pre-1988 liability" shall be construed in accordance with Schedule 5;

"prudent assumptions" means actuarial assumptions that are more likely to overestimate than underestimate the amount of money actually required to meet the costs of funding the liabilities of the Scheme;

"rates and adjustments certificate" means a certificate produced in accordance with Regulation 3;

"relevant trade unions" means any organization within the meaning of Article 3 of the Employment Relations (Jersey) Law 2007[11] whose membership consists (whether wholly or mainly) of members of the respective schemes;

"repealed Regulation 9 of the General Regulations" means Regulation 9 of the General Regulations as it was in force immediately prior to its repeal by the Transitional Regulations;

"respective schemes" has the meaning given in Article 1(1) of the Law, and "schemes" shall be construed accordingly;

"revaluation rate" shall be construed in accordance with Regulation 9;

"Scheme" means the Public Employees Pension Scheme referred to in Article 2(1) of the Law;

"Scheme employment" means employment by virtue of which a person is entitled to be a member of the Scheme;

"scheme year" means a period of 12 months beginning on 1st January and ending 31st December;

"transition members" means contributing members of the 1967 Scheme who become members of the Scheme in accordance with Regulation 2 or 3(2)(a) or (c) of the Transitional Regulations;

"Transitional Regulations" means the Public Employees (Pension Scheme) (Transitional Provisions, Savings and Consequential Amendments) (Jersey) Regulations 201-[12];

"Treasurer" means the Treasurer of the States;

"uniformed member" in relation to the Scheme has the same meaning as in Regulation 1 of the Membership and Benefits Regulations;

"valuation" has the meaning given in Regulation 3(1);

"valuation date" means the date as at which the Actuary carries out a valuation of the fund in accordance with Regulation 3(1) or 5(1);

"valuation of the fund" means an actuarial valuation of the fund by reference to the assets and liabilities of the respective schemes.

PART 2

FUNDING STRATEGY AND VALUATIONS

2 Funding strategy statement

(1) The Committee shall instruct the Actuary to prepare a written statement setting out the funding strategy for the respective schemes (the "funding strategy statement").

(2) The funding strategy statement shall –

(a) following consultation with the Treasurer, be agreed by the Committee and the Minister for Treasury and Resources, and published by the Committee by no later than 31st December 2017;

(b) be kept under review by the Committee and –

(i) following a material change to any of the matters contained in the statement, the Actuary shall make such revisions as are appropriate and consulted upon and agreed in accordance with sub-paragraph (a),

(ii) if revisions are made, the Committee shall publish the statement as revised;

(c) set out the following matters –

(i) subject to paragraph (3), the methodology for the allocation of employer and member contributions made under the respective schemes, towards the costs of funding benefits under the respective schemes over a specified period,

(ii) the methodology for maintaining, within the caps specified under Regulation 16, the sharing of the respective costs of employer and member contributions on an expected ratio of 2:1 with "2" being the employer proportion of contributions and "1" being the member proportion of contributions,

(iii) the methodology for the allocation of administration, investment management and other costs attributable to the funding of benefits under the respective schemes,

(iv) the overarching principles for the setting of assumptions to be applied to the actuarial valuation of the fund, which shall include the use of prudent assumptions in relation to the costs of funding benefits under the Scheme,

(v) the overarching principles for the setting of assumptions for the purposes of calculating –

(A) the value of retirement benefits transferred under Regulations 22 or 23 of the Administration Regulations,

(B) amounts payable in respect of additional voluntary contributions required under Regulation 15 of the Membership and Benefits Regulations or equivalent provisions under the 1967 Scheme Regulations,

(C) the amount by which retirement benefits are actuarially reduced where those benefits are paid early under Regulations 29, 30 or 32 of the Membership and Benefits Regulations, or equivalent provisions under the 1967 Scheme Regulations,

(vi) the degree of prudence to be applied when setting key financial assumptions for the purposes of actuarial valuations,

(vii) the methodology for adjusting –

(A) the annual pension increase rates and contribution rates for the respective schemes, and

(B) the future accrual rate and revaluation rate for the Scheme,

(viii) the identification of risks to the solvency of the fund and mitigation of such risks,

(ix) the process for implementing any adjustments to any of the rates specified in the rates and adjustments certificate,

(x) the methodology for accounting for the costs of funding benefits attributable to –

(A) transfer payments out of the fund under Regulation 22 of the Administration Regulations, and

(B) transfer payments credited to the fund under Regulation 23 of those Regulations.

(3) This paragraph sets out what matters the Actuary must include within the methodology for the allocation of member and employer contributions referred to in paragraph (2)(c)(i), as follows –

(a) the proportion of employer and member contributions received under the respective schemes that shall be required to fund –

(i) the costs of applying the interim contribution rates set out in paragraph 5(3) and (4) of Schedule 1 in respect of the 1967 Scheme,

(ii) the costs of applying the transitional contribution rates set out in Schedule 3 in respect of the continuing members of the 1967 Scheme,

(iii) the costs of 1967 Scheme benefits accrued after the 2nd commencement date in respect of continuing members of the 1967 Scheme, and

(iv) the costs of providing survivor benefits to a nominated cohabiting partner under Regulation 11 of the Transitional Regulations; and

(b) the proportion of employer and member contributions received under the respective schemes that shall, in the sequence set out in this sub-paragraph, be required –

(i) firstly, to fund 1967 Scheme benefits accrued (without any increase or reduction to those benefits) in respect of –

(A) continuing members of the 1967 Scheme,

(B) contributing, deferred or pensioner members of the 1967 Scheme, and

(C) contributing members of the 1967 Scheme who become active members of the Scheme under Regulation 2, 3(2)(a) or (c) or 4 of the Transitional Regulations,

(ii) secondly, after clause (i) is achieved, to fund –

(A) the accrued retirement benefits under the Scheme (as increased by the annual pension increase at a minimum rate of 50% of AIRPI) of deferred or pensioner members of the Scheme, and

(B) the accrued retirement benefits under the Scheme (as revalued by a minimum rate of 50% of (AIRPI + 1%)) of active members of the Scheme, and as subsequently increased by the annual pension increase at a minimum rate of 50% of AIRPI, when those members become deferred or pensioner members of the Scheme, and

(iii) thirdly, after clauses (i) and (ii) are achieved, to fund the future accrual of benefits under the respective schemes.

3 Actuarial valuations

(1) The Committee shall instruct the Actuary to prepare –

(a) a valuation of the fund as at 31st December 2016, 31st December 2018 and 31st December 2021, and thereafter at intervals of not more than 3 years;

(b) a report in respect of the valuation; and

(c) a rates and adjustments certificate, and

those documents shall collectively be referred to as the “valuation”.

(2) In preparing each of the documents specified in paragraph (1), the Actuary must have regard to –

(a) the existing and prospective liabilities of the fund in relation to the respective schemes; and

(b) the funding strategy statement (as revised from time to time).

(3) Subject to Regulation 4(3) and (5), the valuation must be presented to the Minister by the Committee before the expiry of 15 months after the valuation date, and the Minister shall lay a copy the valuation before the States as soon as practicable thereafter.

(4) A report under paragraph (1)(b) shall –

(a) separately identify the assets and liabilities of the respective schemes;

(b) contain an assessment of whether any change in the fund’s funding level is due to long-term trends of a demographic, investment or other nature;

(c) contain an assessment of whether the accrual of future benefits under the respective schemes is affordable within the contribution cost caps referred to in Regulation 16(1).

(5) A rates and adjustments certificate under paragraph (1)(c) is a certificate which specifies any adjustments to –

(a) the accrual rate for the Scheme;

(b) the rates for the annual pension increase for the respective schemes;

(c) the employer and member contribution rates (expressed as a percentage of pensionable earnings) for the respective schemes; and

(d) the revaluation rate for the Scheme,

without the need to amend these Regulations or the 1967 Scheme Regulations (as the case may be).

(6) Subject to Regulation 17 and 18 (if applicable), the Actuary shall, when preparing the rates and adjustments certificate, specify any adjustments –

(a) to the accrual rate subject to Regulations 7(2) and 12(3);

(b) to the annual pension increase rates subject to the minimum and maximum percentages of AIRPI specified in Regulation 8 and Regulation 12(3);

(c) to the employer and member contribution rates subject to Regulations 11, 12(4), 13(2), 14(2) and 15(2);

(d) to the revaluation rate subject to Regulations 9 and 12(3).

(7) The contribution rates referred to in paragraph (5)(c) shall specify a primary and secondary rate, where –

(a) the primary rate of employer and member contributions is the amount required to fund the cost of future accrual of benefits under the respective schemes which, according to the methodology set out in the funding strategy statement, should be paid to the fund, expressed as a percentage of pensionable earnings; and

(b) the secondary rate of employer and member contributions is the percentage of pensionable pay by which, according to the methodology set out in the funding strategy statement, contributions at the primary rate should be increased or reduced (as the case may be) to fund the costs of –

(i) 1967 Scheme benefits (without any reduction to those benefits) accrued in respect of –

(A) deferred or pensioner members of the 1967 Scheme,

(B) continuing members of the 1967 Scheme,

(C) contributing members of the 1967 Scheme up to the 2nd commencement date, and

(D) contributing members of the 1967 Scheme who become active members of the Scheme under Regulation 2, 3(2)(a) or (c) or 4 of the Transitional Regulations,

(ii) the accrued retirement benefits of deferred or pensioner members of the Scheme, as increased by the annual pension increase at a minimum rate of 50% of AIRPI, and

(iii) the accrued retirement benefits of active members of the Scheme –

(A) as revalued by a minimum rate of 50% of (AIRPI + 1%), and

(B) as subsequently increased by the annual pension increase at a minimum rate of 50% of AIRPI, when those members become deferred or pensioner members of the Scheme.

4 Agreement as to the setting of assumptions for actuarial valuations

(1) In the course of preparing a valuation under Regulation 3, the Actuary shall –

(a) consult with the Committee, the Minister for Treasury and Resources and the Treasurer; and

(b) determine, having regard to the funding strategy statement, an appropriate set of assumptions to be applied in respect of the valuation.

(2) In relation to the costs of funding the Scheme the Actuary shall, following the consultation referred to in paragraph (1)(a), determine the prudent assumptions to be applied in respect of the valuation but must secure the agreement of –

(a) the Committee; and

(b) the Minister for Treasury and Resources,

before applying those assumptions.

(3) If upon the expiry of 18 months from the valuation date no agreement is secured under paragraph (2), the Minister shall request the President of the Institute and Faculty of Actuaries (the “Institute”) to nominate a fellow of the Institute, to determine the prudent assumptions that shall apply in default of any agreement.

(4) In relation to the costs of funding the 1967 Scheme the Actuary shall, following the consultation referred to in paragraph (1)(a), determine the assumptions to be applied in respect of the valuation and shall aim to reach agreement with –

(a) the Committee; and

(b) the Minister for Treasury and Resources,

before applying those assumptions.

(5) If upon the expiry of 12 months from the valuation date no agreement is reached under paragraph (4), the Actuary's determination shall apply in default of any agreement.

5 Actuarial valuations at the request of the Minister

(1) Notwithstanding Regulation 3, the Minister may require the Committee to instruct the Actuary to undertake a valuation of the fund as at any date.

(2) Where paragraph (1) applies, the provisions of Regulations 3 and 4 (including any adjustment to the rates specified in the rates and adjustments certificate) shall operate as if the valuation had been carried out under Regulation 3.

6 Implementation of rates and adjustments certificate

The Administrator shall by 1st January not later than the 3rd year following the valuation date, apply all the rates specified in the rates and adjustments certificate for that valuation.

PART 3

RATES

7 Scheme accrual rate

(1) "accrual rate" means the rate, expressed as a fraction of pensionable earnings, at which pension benefits build up per £1.00 of pensionable earnings paid in each scheme year for each year of pensionable service.

(2) Subject to Regulation 12 and paragraph 1 of Schedule 1, the accrual rate shall be such rate as is specified in the rates and adjustments certificate and the Actuary may at any valuation adjust the accrual rate subject to –

(a) the methodology as referred to in Regulation 2(2)(c)(vii) and 2(3)(b)(i) and(ii);

(b) following the process as referred to in Regulation 2(2)(c)(ix); and

(c) Regulation 16,

provided that adjusted rate is not greater than 1/66th.

8 Annual increases in pension

(1) Subject to Regulation 12 and paragraph 2 of Schedule 1, all retirement benefits in payment and all deferred retirement benefits under the respective schemes shall be increased on 1st January each year by the rate referred to in paragraph (2) (the "annual pension increase").

(2) The annual pension increase to be applied shall be a rate expressed as a percentage of AIRPI specified in the rates and adjustments certificate, subject to the minimum and maximum percentages of AIRPI specified in paragraphs (3) and (4).

(3) In respect of the Scheme, the percentage of AIRPI to be specified in the rates and adjustments certificate for the purposes of applying the annual pension increase, shall be a minimum of 50% of AIRPI up to and including a maximum of 100% of AIRPI.

(4) In respect of the 1967 Scheme, the percentage of AIRPI to be specified in the rates and adjustments certificate for the purposes of applying the annual pension increase, shall be a minimum of 0% of AIRPI up to and including a maximum of 100% of AIRPI.

9 Revaluation rate

(1) This Regulation applies to the revaluation of retirement benefits under the Scheme.

(2) By no later than 31st December of every scheme year, the opening balance of an active member's pension record for that scheme year shall be revalued by the rate referred to in paragraph (3) (the "revaluation rate").

(3) Subject to Regulation 12 and paragraph 3 of Schedule 1, the revaluation rate to be applied shall be (AIRPI + 1%) multiplied by a percentage rate of between 50% and 100% as shall be determined by the Actuary and specified in the rates and adjustments certificate.

(4) In paragraph (2), "opening balance" means the amount of benefits accrued in the active member's pension record as at the beginning of the scheme year.

10 Negative AIRPI

(1) This Regulation applies where AIRPI is recorded at less than 0%.

(2) Where this Regulation applies, for the purposes of Regulations 8 and 9 the AIRPI to be applied shall be taken to be 0%.

11 Employer and member contribution rates

(1) For the purposes of this Regulation –

(a) "uniformed members of the respective schemes" in relation to –

(i) an active member of the Scheme, means a uniformed member, and

(ii) a continuing member of the 1967 Scheme, means –

(A) a category A member and category B member within the meaning of Regulation 1 of the Existing Members Regulations or Regulation 1 of the New Members Regulations,

(B) a category C member within the meaning of Regulation 1 of the New Members Regulations, or

(C) a contributory member within the meaning of Regulation 4 of the 1967 Regulations, in respect of whom Regulation 17, 18, 19, 20 or 20A of those Regulations applies;

(b) "ordinary members of the respective schemes" in relation to –

(i) an active member of the Scheme, means an ordinary member, and

(ii) a continuing member of the 1967 Scheme, means –

(A) a member within the meaning of Regulation 1 of the Existing Members Regulations or Regulation 1 of the New Members Regulations, who is not a category A, category B or category C member,

(B) a member within the meaning of Regulation 1 of the 1992 Regulations, or

(C) a contributory member within the meaning of Regulation 4 of the 1967 Regulations, in respect of whom Regulation 17, 18, 19, 20 or 20A of those Regulations does not apply; and

(c) for the purposes of the calculation under the formula set out in paragraph (3)(d), the reference to pensionable earnings shall be taken to be a reference to pensionable earnings paid over the scheme year to the valuation date.

(2) Subject to –

(a) Regulation 12 and paragraphs 4 and 5 of Schedule 1;

(b) Regulation 13 and Schedule 2;

(c) Regulation 14 and Schedule 3; and

(d) Regulation 15 and Schedule 4,

employers and members of the respective schemes must pay contributions of such an amount as is specified in the rates and adjustments certificate, expressed as a rate equivalent to a percentage of pensionable earnings of all members of the respective schemes.

(3) For the purposes of paragraph (2) the rates and adjustments certificate must specify –

(a) the employer contribution rate in respect of all members of the respective schemes;

(b) the member contribution rate in respect of uniformed members of the respective schemes ("MCUM");

(c) the member contribution rate in respect of ordinary members of the respective schemes ("MCOM"); and

(d) the member aggregated contribution rate which shall be calculated in accordance with the following formula –

$$\left[\frac{\text{Total pensionable earnings of uniformed members of respective schemes}}{\text{Total pensionable earnings of members of respective schemes}} \text{ x MCUM}\right] + \left[\frac{\text{Total pensionable earnings of ordinary members of respective schemes}}{\text{Total pensionable earnings of members of respective schemes}} \text{ x MCOM}\right]$$

= member aggregated contribution rate.

(4) For the purposes of the employer contribution cost cap under Regulation 16(1)(a), the employer contribution rate specified in the rates and adjustments certificate must not exceed 16.5% of pensionable earnings of all members of the respective schemes.

(5) Subject to paragraph (6), for the purposes of the member contribution cost cap under Regulation 16(1)(b), the member aggregated contribution rate specified in the rates and adjustments certificate must not exceed 8.25% of pensionable earnings of all members of the respective schemes.

(6) Paragraph (5) shall not apply where the member contribution cost cap is increased under Regulation 16(4), but in the event that it is so increased, the member aggregated contribution rate to be specified in the rates and adjustments certificate must not exceed the member contribution cost cap as so increased.

(7) An employer shall pay to the Administrator the relevant amount of employer contribution according to –

(a) the employer contribution rate specified in the rates and adjustments certificate;

(b) the interim contribution rates specified in paragraphs 4(3) and 5(3) of Schedule 1; or

(c) the transitional contribution rates specified in Schedule 4,

by no later than the end of the month following the month in which the contribution falls due.

(8) An employer shall pay to the Administrator the relevant amount of member contribution deducted from members' pensionable earnings according to –

(a) the MCUM or MCOM rate (as the case may be) specified in the rates and adjustments certificate;

(b) the interim contribution rates specified in paragraph 4(4) or (5) and 5(4) of Schedule 1; or

(c) the transitional contribution rates specified in Schedules 2 and 3,

by no later than the end of the month following the month in which the contribution is deducted.

12 Interim rates

(1) Schedule 1 sets out –

(a) the annual pension increase rate in respect of retirement benefits under the 1967 Scheme;

(b) the annual pension increase rate in respect of retirement benefits under the Scheme;

(c) in respect of the Scheme –

(i) the accrual rate, and

(ii) the revaluation rate; and

(d) the employer and member contribution rates under the respective schemes,

which shall apply from the 1st commencement date until the dates specified in paragraph (2).

(2) In the case of –

(a) the annual pension increase rate referred to in paragraph (1)(a), that rate shall apply until 31st December 2018;

(b) the rates referred to in paragraphs (1)(b) and (c), those rates shall apply until 31st December 2020; and

(c) the employer and member contribution rates referred to in paragraph (1)(d) –

(i) in relation to the Scheme, those rates shall apply until 31st December 2023, and

(ii) in relation to the 1967 Scheme, those rates shall apply until 31st December 2018.

(3) In the case of the accrual rate, the annual pension increase rate in respect of retirement benefits under the Scheme and the revaluation rate, any valuation occurring as at a date earlier than 31st December 2018 shall not affect those rates specified in Schedule 1, and Regulation 3(6)(a), (b) or (d) and Regulation 17 shall not apply for the purposes of adjusting the rates and adjustments certificate in respect of any such earlier valuation.

(4) In the case of the employer and member contribution rates (in relation to the Scheme), any valuation occurring as at a date earlier than 31st December 2021 shall not affect those rates specified in Schedule 1, and Regulations 3(6)(c) and Regulations 17 and 18 (if applicable) shall not apply for the purposes of adjusting the rates and adjustments certificate in respect of any such earlier valuation.

13 Scheme member transitional contribution rates

(1) Schedule 2 sets out the contributions rates –

(a) payable by transition members; and

(b) which shall apply from the 2nd commencement date until 31st December 2023.

(2) Any valuation occurring as at a date earlier than 31st December 2021 shall not affect the rates specified in Schedule 2, and Regulations 3(6)(c),

17 and 18 (if applicable) shall not apply for the purposes of adjusting the rates and adjustments certificate in respect of any such earlier valuation.

14 Continuing members of the 1967 Scheme – transitional contribution rates

(1) Schedule 3 sets out the contribution rates payable by continuing members of the 1967 Scheme which shall apply from the 2nd commencement date until 31st December 2023.

(2) Any valuation occurring as at a date earlier than 31st December 2021 shall not affect the rates specified in Schedule 3, and Regulations 3(6)(c), 17 and 18 (if applicable) shall not apply for the purposes of adjusting the rates and adjustments certificate in respect of any such earlier valuation.

15 Employer transitional contribution rates

(1) Schedule 4 sets out the contribution rates payable by employers of –

(a) continuing members of the 1967 Scheme; or

(b) transition members,

which shall apply from the 2nd commencement date until 31st December 2023.

(2) Any valuation occurring as at a date earlier than 31st December 2021 shall not affect the rates specified in Schedule 4, and Regulations 3(6)(c), 17 and 18 (if applicable) shall not apply for the purposes of adjusting the rates and adjustments certificate in respect of any such earlier valuation.

PART 4

COST CAPS AND CONTROL OF FUNDING LEVELS

16 Employer and member contribution cost cap

(1) For the purposes of Article 7 of the Law –

(a) The employer contribution cost cap, under the respective schemes shall be set at 16.5% of pensionable earnings of all members of the respective schemes as at the date of the valuation except that –

(i) contributions certified by the Actuary in respect of an admitted employer under paragraph 6(4) of Schedule 1 to the Membership and Benefits Regulations,

(ii) a termination contribution in respect of an admitted employer under paragraph 8(5) of Schedule 1 to the Membership and Benefits Regulations, or

(iii) contributions in respect of the re-payment of the pre-1988 liability under Schedule 5,

shall be disregarded for the purposes of the cap;

(b) subject to paragraphs (2), (3) and (4), the member contribution cost cap under the respective schemes shall be set at 8.25% of pensionable earnings of all members of the respective schemes as at the date of the valuation.

(2) This paragraph applies if, following a valuation, the Actuary reports that the future accrual of benefits under both of the respective schemes is unaffordable within the cost caps specified under paragraph (1).

(3) Where paragraph (2) applies, the Minister shall consult with relevant trade unions as to whether or not members of the respective schemes would agree to an increase in the member contribution cost cap specified under paragraph (1)(b), so as to avoid any reduction in the future accrual of benefits under the Scheme.

(4) If at the conclusion of a period of 3 months –

(a) there is agreement to an increase in the member contribution cost cap specified under paragraph (1)(b), the Actuary shall, subject to the requirement in Regulation 11(6), determine the adjusted member aggregated contribution rate to be specified in the rates and adjustments certificate;

(b) there is no agreement to an increase referred to in sub-paragraph (a), the Actuary shall determine the adjusted reduced accrual rate for the Scheme to be specified in the rates and adjustments certificate.

17 Funding levels

(1) For the purposes of this Regulation and Regulation 18 –

(a) "effective valuation date" refers to a valuation of the fund carried out as at any valuation date.

(b) "liabilities" means the benefits payable under the respective schemes calculated according to –

(i) the assumptions set by reference to the funding strategy statement, and

(ii) the rates specified in the rates and adjustments certificate in respect of the valuation of the fund carried out as at the previous valuation date;

(c) "previous valuation date" means the valuation date immediately prior to the effective valuation date;

(d) "full funding level" means that as at the valuation date, the assets of the respective schemes are 100% of the amount required to meet the liabilities of the respective schemes;

(e) "maximum funding level" means that as at the valuation date, the assets of the respective schemes are 105% of the amount required to meet the liabilities of the respective schemes;

(f) "minimum funding level" means that as at the valuation date, the assets of the respective schemes are 95% of the amount required to meet the liabilities of the respective schemes.

(2) The Committee shall, having regard to the formula set out in paragraph (3), aim to secure that the assets of the respective schemes are

at a sufficient level to fund the benefits payable under the respective schemes.

(3) The Actuary shall at every valuation of the fund certify in respect of the valuation date for that valuation, the funding level of the respective schemes by reference to the following formula –

$$\frac{\text{value of assets of each scheme as at the effective valuation date}}{\text{value of liabilities of each scheme as at the effective valuation date}} \text{ x } 100 = \text{funding level (expressed as a percentage).}$$

(4) If the Actuary certifies that either or both of the respective schemes are operating within their maximum and minimum funding levels, and the Committee determines either that –

(a) no adjustments are required in respect of any of the rates specified in the rates and adjustments certificate; or

(b) adjustments are required in respect of some or all of the rates,

the Committee shall within 15 months of the valuation date, seek the Minister's agreement to that determination.

(5) If before the expiry of 15 months from the valuation date no agreement is given under paragraph (4), the Actuary shall, subject to following the process as referred to in Regulation 2(2)(c)(ix), determine what adjustments are required (if any) in respect of any of the rates specified in the rates and adjustments certificate so as to restore either or both of the respective schemes to their full funding level.

(6) If before the expiry of 15 months from the valuation date the Minister agrees with the Committee's determination under paragraph (4), the Actuary shall prepare the rates and adjustments certificate with or without specifying any adjustments, as the case may be.

(7) Subject to paragraph (9), if the Actuary certifies that either or both the respective schemes are operating at or above their maximum funding level, or at or below their minimum funding level, the Actuary shall, subject to following the process as referred to in Regulation 2(2)(c)(ix) and Regulation 18 (if applicable), determine what adjustments are required (if any) in respect of any of the rates specified in the rates and adjustments certificate so as to restore either or both of the respective schemes to their full funding level.

(8) The Actuary shall, before the expiry of 15 months after the valuation date, notify the Committee and the Minister of the determination under paragraph (7).

(9) The Actuary shall not determine any adjustments under paragraph (7) if the Committee and the Minister have otherwise agreed that no adjustments are required to any of the rates specified in the rates and adjustments certificate so as to restore either or both of the respective schemes to their full funding level.

18 Transitional costs of funding benefits under the respective schemes

(1) This Regulation applies where as at any valuation of the fund which occurs in the period commencing with the valuation of the fund as at 31st December 2018 and ending on 31st December 2032, the Actuary certifies that either or both the respective schemes are operating at or below their minimum funding level.

(2) Where paragraph (1) applies, the Actuary shall as at that valuation date, calculate an adjusted value for the assets of the respective schemes by including within that calculation the value of future employer and member contributions to cover transitional costs equal to 0.8% of pensionable earnings over the period to 31st December 2032, and having applied the formula set out in paragraph (3) –

(a) certify in respect of the valuation date for that valuation, the funding level for the respective schemes as re-assessed under this Regulation; and

(b) determine what adjustments are required (if any) in respect of any of the rates specified in the rates and adjustments certificate so as to restore either or both of the respective schemes to their full funding level.

(3) The formula referred to in paragraph (2) is –

$$\frac{\text{value of adjusted assets of each scheme as at the effective valuation date}}{\text{value of liabilities of each scheme as at the effective valuation date}} \times 100 = \text{funding level (expressed as a percentage).}$$

(4) The Actuary shall, before the expiry of 15 months of the valuation date, notify the Committee and the Minister of the determination under paragraph (2)(b).

(5) The transitional costs referred to in paragraph (2) include the costs of –

(a) benefits accruing in respect of continuing members of the 1967 Scheme which are in excess of the costs of retirement benefits concurrently accruing in respect of active members of the Scheme;

(b) applying the transitional contribution rates set out in Schedules 2, 3 and 4;

(c) providing survivor benefits to a nominated cohabiting partner under Regulation 11 of the Transitional Regulations.

PART 5

1967 SCHEME ASSETS

19 Ring-fencing of 1967 Scheme assets

(1) The Committee shall ensure that the assets of the 1967 Scheme which have accrued in respect of that scheme up to, and including the day

before the 2nd commencement date, shall only be used for the purpose of funding the costs of benefits under that scheme.

(2) For the purposes of this Regulation, the assets of the 1967 Scheme shall include the re-payment of the pre-1988 liability under Regulation 20 and Schedule 5.

20 Re-payment of the pre-1988 liability

Schedule 5 gives effect to the re-payment of the pre-1988 liability in respect of the 1967 Scheme and that re-payment shall be treated as an asset of that scheme for the purposes of valuations under Regulation 3.

PART 6

CLOSING

21 Citation and commencement

(1) These Regulations may be cited as the Public Employees (Pension Scheme) (Funding and Valuation) (Jersey) Regulations 201-.

(2) Regulations –

(a) 1 to 12, 16 and 17, 19 to 21 and Schedules 1 and 5 shall come into force on the 1st commencement date; and

(b) 13 to 15 and 18, and Schedules 2 to 4 shall come into force on the 2nd commencement date.

SCHEDULE 1

(Regulation 12)

INTERIM RATES

1 Accrual rate until 31st December 2020

(1) The accrual rate specified in sub-paragraph (2) shall apply from the 1st commencement date until the scheme year ending 31st December 2020.

(2) The accrual rate in respect of the Scheme shall be 1/66th of an active member's pensionable earnings paid in each scheme year.

(3) Subject to sub-paragraph (4), following the valuation as at 31st December 2018, an adjusted accrual rate (if any) specified in the rates and adjustments certificate under Regulation 3(6)(a) shall, in accordance with Regulation 6, be applied for the scheme year beginning on 1st January 2021.

(4) If as a result of the valuation as at 31st December 2018, the accrual rate specified in sub-paragraph (2) does not require an adjustment to be specified in the rates and adjustments certificate under Regulation 3(6)(a), that rate shall continue to have effect until such time as it is adjusted following any subsequent valuation, and applied in accordance with Regulation 6.

2 Annual increases in pension – rate for 1967 Scheme until 31st December 2018 and rate for Scheme until 31st December 2020

(1) From the 1st commencement date until the scheme year ending 31st December 2018, the annual pension increase rate in respect of retirement benefits under the 1967 Scheme shall be 100% of AIRPI.

(2) Subject to paragraph (3), following the valuation as at 31st December 2016, an adjusted annual pension increase rate (if any) specified in the rates and adjustments certificate under Regulation 3(6)(b) shall, in accordance with Regulation 6, be applied for the scheme year beginning on 1st January 2019.

(3) If as a result of the valuation as at 31st December 2016, the rate specified in sub-paragraph (1) does not require an adjustment to be specified in the rates and adjustments certificate under Regulation 3(6)(b), that rate shall in relation to the 1967 Scheme, continue to have effect on 1st January 2019 until such time as it is adjusted following any subsequent valuation and applied in accordance with Regulation 6.

(4) From the 1st commencement date until the scheme year ending 31st December 2020, the annual pension increase rate in respect of retirement benefits under the Scheme shall be 100% of AIRPI.

(5) Subject to sub-paragraph (6), following the valuation as at 31st December 2018, an adjusted annual pension increase rate (if any) specified in the rates and adjustments certificate under Regulation 3(6)(b)

shall, in accordance with Regulation 6, be applied for the scheme year beginning on 1st January 2021.

(6) If as a result of the valuation as at 31st December 2018, the rate specified in sub-paragraph (4) does not require an adjustment to be specified in the rates and adjustments certificate under Regulation 3(6)(b), that rate shall in relation to the Scheme, continue to have effect on 1st January 2021 until such time as it is adjusted following any subsequent valuation and applied in accordance with Regulation 6.

3 Revaluation rate until 31st December 2020

(1) The revaluation rate specified in sub-paragraph (2) shall apply from the 1st commencement date until the scheme year ending 31st December 2020.

(2) The revaluation rate in respect of the Scheme shall be (AIRPI + 1%) x 100%.

(3) Subject to sub-paragraph (4), following the valuation as at 31st December 2018, an adjusted rate (if any) specified in the rates and adjustments certificate under Regulation 3(6)(d) shall, in accordance with Regulation 6, be applied for the purposes of the revaluation of the scheme year ending on 31st December 2020.

(4) If as a result of the valuation as at 31st December 2018, the rate specified in sub-paragraph (2) does not require an adjustment to be specified in the rates and adjustments certificate under Regulation 3(6)(d), that rate shall continue to have effect for the purposes of the revaluation of the scheme year ending on 31st December 2020 until such time as it is adjusted following any subsequent valuation, and applied in accordance with Regulation 6.

4 Scheme – employer and member contribution rates until 31st December 2023

(1) This paragraph applies to –

(a) employers of persons described in clauses (b) to (d);

(b) persons (excluding transition members) who, on or after the 1st commencement date, become active members of the Scheme;

(c) deferred or pensioner members of the Scheme (including such members who were formerly transition members) who, before the rates specified in sub-paragraphs (4) or (5) (as the case may be) cease to have effect, become active members on resuming Scheme employment;

(d) a person who at any time after the 2nd commencement date becomes an active member of the Scheme by virtue of Regulation 4 of the Transitional Regulations (change of category of membership).

(2) The contribution rates specified in sub-paragraphs (3), (4) and (5) shall apply from the 1st commencement date until the scheme year ending 31st December 2023.

(3) An employer shall pay contributions of an amount equivalent to 16% of the total aggregated pensionable earnings of the members employed by that employer.

(4) An ordinary member of the Scheme shall pay contributions of an amount equivalent to 7.75% of his or her pensionable earnings.

(5) A uniformed member of the Scheme shall pay contributions of an amount equivalent to 10.10% of his or her pensionable earnings.

(6) Subject to sub-paragraph (7), following the valuation as at 31st December 2021, adjusted rates (if any) specified in the rates and adjustments certificate under Regulation 3(6)(c) shall, in accordance with Regulation 6, be applied for the scheme year beginning on 1st January 2024.

(7) If as a result of the valuation as at 31st December 2021 any of the rates specified in sub-paragraphs (3), (4) and (5) do not require an adjustment to be specified in the rates and adjustments certificate under Regulation 3(6)(c), such rates shall continue to have effect on 1st January 2024 until such time as those rates are adjusted following any subsequent valuation, and applied in accordance with Regulation 6.

5 1967 Scheme – employer and member contribution rates until 31st December 2018

(1) This paragraph applies to –

(a) employers of contributing members of the 1967 Scheme; and

(b) contributing members of the 1967 Scheme.

(2) The contribution rates specified in sub-paragraphs (3) and (4) shall apply from the 1st commencement date until the scheme year ending 31st December 2018.

(3) An employer shall pay contributions of an amount equivalent to 13.60% of the total aggregated pensionable earnings of the members employed by that employer.

(4) Contributing members of the 1967 Scheme in respect of whom the Regulations specified in column 1 of the Table apply, shall pay contributions of an amount equivalent to the percentage of pensionable earnings specified in column 2 of the Table –

1 1967 Scheme Regulations	2 Percentage of pensionable earnings
1967 Regulations	6%
1992 Regulations	6%
Existing Members Regulations	6.25%
New Members Regulations	5%

(5) As at the 2nd commencement date –

(a) employers shall pay contributions in accordance with Schedule 4;

(b) contributing members of the 1967 Scheme who become transition members of the Scheme shall pay contributions in accordance with Schedule 2; and

(c) contributing members of the 1967 Scheme who remain as continuing members of that scheme shall pay contributions in accordance with Schedule 3.

SCHEDULE 2

(Regulation 13)

TRANSITION MEMBERS – TRANSITIONAL CONTRIBUTION RATES

1 Application and interpretation

This Schedule sets out the contribution rates applicable to transition members.

2 Ordinary member contribution rates

(1) This sub-paragraph applies to transition members who –

(a) were members of the 1967 Scheme under the New Members Regulations;

(b) were not category A, category B or category C members, and

who become ordinary members of the Scheme.

(2) The transition members to whom sub-paragraph (1) applies, shall, in respect of each scheme year specified in column 1 of Table 1, pay contributions based on the salary applicable to the person as at the date, and at the percentage rate specified in columns 2 and 3 of that Table –

Table 1		
1 Scheme year	2 Full-time equivalent basic annual salary: under £30,000 as at 31st December 2018	3 Full-time equivalent basic annual salary: £30,000 and over as at 31st December 2018
2019	5.75%	6%
2020	6.50%	7%
2021	7.25%	7.75%
2022 up to and including 2023	7.75%	7.75%

(3) This sub-paragraph applies to transition members who –

(a) were members of the 1967 Scheme under the Existing Members Regulations;

(b) were not category A or category B members, and

who become ordinary members of the Scheme.

(4) The transition members to whom sub-paragraph (3) applies, shall, in respect of each scheme year specified in column 1 of Table 2, pay contributions based on the salary applicable to the person as at the date, and at the percentage rate specified in columns 2 and 3 of that Table –

Table 2		
1 Scheme year	2 Full-time equivalent basic annual salary: under £30,000 as at 31st December 2018	3 Full-time equivalent basic annual salary: £30,000 and over as at 31st December 2018
2019	6.69%	6.84%
2020	7.13%	7.43%
2021	7.57%	7.75%
2022 up to and including 2023	7.75%	7.75%

(5) This sub-paragraph applies to transition members who were members of the 1967 Scheme under –

(a) the 1967 Regulations in respect of whom Regulation 17, 18, 19, 20 or 20A of the 1967 Regulations did not apply; or

(b) the 1992 Regulations, and

who become ordinary members of the Scheme.

(6) The transition members to whom sub-paragraph (5) applies, shall, in respect of each scheme year specified in column 1 of Table 3, pay contributions based on the salary applicable to the person as at the date, and at the percentage rate specified in columns 2 and 3 of that Table –

Table 3		
1 Scheme year	2 Full-time equivalent basic annual salary: under £30,000 as at 31st December 2018	3 Full-time equivalent basic annual salary: £30,000 and over as at 31st December 2018
2019	6.50%	6.67%
2020	7%	7.34%
2021	7.50%	7.75%
2022 up to and including 2023	7.75%	7.75%

3 Uniformed member contribution rates

(1) This sub-paragraph applies to transition members who –

(a) were members of the 1967 Scheme under the New Members Regulations;

(b) were category A, category B or category C members, and who become uniformed members of the Scheme.

(2) The transition members to whom sub-paragraph (1) applies, shall, in respect of each scheme year specified in column 1 of Table 1, pay contributions of an amount equivalent to the percentage of pensionable earnings specified in column 2 of that Table –

Table 1	
1 Scheme year	2 Percentage of pensionable earnings
2019	6.02%
2020	7.04%
2021	8.06%
2022	9.08%
2023	10.10%

(3) This sub-paragraph applies to transition members who were category A or category B members of the 1967 Scheme under the Existing Members Regulations and who become uniformed members of the Scheme.

(4) The transition members to whom sub-paragraph (3) applies, shall, in respect of each scheme year specified in column 1 of Table 2, pay contributions of an amount equivalent to the percentage of pensionable earnings specified in column 2 of that Table.

Table 2	
1 Scheme year	2 Percentage of pensionable earnings
2019	7.02%
2020	7.79%
2021	8.56%
2022	9.33%
2023	10.10%

(5) This sub-paragraph applies to transition members who were members of the 1967 Scheme in respect of whom Regulation 17, 18, 19, 20 or 20A of the 1967 Regulations applied, and who become uniformed members of the Scheme.

(6) The transition members to whom sub-paragraph (5) applies, shall, in respect of each scheme year specified in column 1 of Table 3, pay contributions of an amount equivalent to the percentage of pensionable earnings specified in column 2 of that Table –

Table 3	
1 Scheme year	2 Percentage of pensionable earnings
2019	6.82%
2020	7.64%
2021	8.46%
2022	9.28%
2023	10.10%

4 Contribution rates from 1st January 2024

If, as a result of the valuation as at 31st December 2021, any of the contribution rates specified in this Schedule applicable for the scheme year 2023 do not require an adjustment to be specified in the rates and adjustments certificate under Regulation 3(6)(c), any such rates shall continue to have effect for the scheme year beginning on 1st January 2024 until such time as those rates are adjusted following any subsequent valuation, and applied in accordance with Regulation 6.

SCHEDULE 3

(Regulation 14)

1967 SCHEME – CONTINUING MEMBERS TRANSITIONAL CONTRIBUTION RATES

1 Application and interpretation

(1) This Schedule sets out the contribution rates applicable to continuing members of the 1967 Scheme.

(2) In this Schedule –

"members" in relation to the 1992 Regulations has the same meaning as in Regulation 1 of those Regulations;

"members" in relation to the Existing Members Regulations and New Members Regulations has the same meaning as in Regulation 1 of those Regulations.

2 1967 Regulations – contributory member contribution rates

(1) Contributory members in respect of whom Regulation 17, 18, 19, 20 or 20A of the 1967 Regulations does not apply, shall, in respect of each scheme year specified in column 1 of Table 1, pay contributions based on the salary applicable to the person as at the date, and at the percentage rate specified in columns 2 and 3 of that Table –

Table 1		
1 Scheme year	2 Full-time equivalent basic annual salary: under £30,000 as at 31st December 2018	3 Full-time equivalent basic annual salary: £30,000 and over as at 31st December 2018
2019	6.50%	6.67%
2020	7%	7.34%
2021	7.50%	7.75%
2022 up to and including 2023	7.75%	7.75%

(2) Contributory members in respect of whom Regulation 17, 18, 19, 20 or 20A of the 1967 Regulations applies, shall, in respect of each scheme year specified in column 1 of Table 2, pay contributions of an amount equivalent to the percentage of pensionable earnings specified in column 2 of that Table –

Table 2	
1 Scheme year	2 Percentage of pensionable earnings
2019	6.82%
2020	7.64%
2021	8.46%
2022	9.28%
2023	10.10%

3 1992 Regulations – member contribution rates

Members in respect of whom the 1992 Regulations apply, shall, in respect of each scheme year specified in column 1 of the Table, pay contributions based on the salary applicable to the person as at the date, and at the percentage rate specified in columns 2 and 3 of the Table –

1 Scheme year	2 Full-time equivalent basic annual salary: under £30,000 as at 31st December 2018	3 Full-time equivalent basic annual salary: £30,000 and over as at 31st December 2018
2019	6.50%	6.67%
2020	7%	7.34%
2021	7.50%	7.75%
2022 up to and including 2023	7.75%	7.75%

4 Existing Members Regulations – member contribution rates

(1) This paragraph applies to members in respect of whom the Existing Members Regulations apply.

(2) Members who are not category A or category B members, shall, in respect of each scheme year specified in column 1 of Table 1, pay contributions based on the salary applicable to the person as at the date, and at the percentage rate specified in columns 2 and 3 of that Table –

Table 1		
1 Scheme year	2 Full-time equivalent basic annual salary: under £30,000 as at 31st December 2018	3 Full-time equivalent basic annual salary: £30,000 and over as at 31st December 2018
2019	6.69%	6.84%
2020	7.13%	7.43%
2021	7.57%	7.75%
2022 up to and including 2023	7.75%	7.75%

(3) Category A or category B members, shall, in respect of each scheme year specified in column 1 of Table 2, pay contributions of an amount equivalent to the percentage of pensionable earnings specified in column 2 of that Table –

Table 2	
1 Scheme year	2 Percentage of pensionable earnings
2019	7.02%
2020	7.79%
2021	8.56%
2022	9.33%
2023	10.10%

5 New Members Regulations – member contribution rates

(1) This paragraph applies to members in respect of whom the New Members Regulations apply.

(2) Members who are not category A, category B or category C members, shall, in respect of each scheme year specified in column 1 of Table 1, pay contributions based on the salary applicable to the person as at the date, and at the percentage rate specified in columns 2 and 3 of that Table –

Table 1		
1 Scheme year	2 Full-time equivalent basic annual salary: under £30,000 as at 31st December 2018	3 Full-time equivalent basic annual salary: £30,000 and over as at 31st December 2018
2019	5.75%	6.00%
2020	6.50%	7.00%
2021	7.25%	7.75%
2022 up to and including 2023	7.75%	7.75%

(3) Category A, category B or category C members, shall, in respect of each scheme year specified in column 1 of Table 2, pay contributions of an amount equivalent to the percentage of pensionable earnings specified in column 2 of that Table –

Table 2	
1 Scheme year	2 Percentage of pensionable earnings
2019	6.02%
2020	7.04%
2021	8.06%
2022	9.08%
2023	10.10%

6 Contribution rates from 1st January 2024

If, as a result of the valuation as at 31st December 2021, any of the contribution rates specified in this Schedule applicable for the scheme year 2023 do not require an adjustment to be specified in the rates and adjustments certificate under Regulation 3(6)(c), any such rates shall continue to have effect for the scheme year beginning on 1st January 2024 until such time as those rates are adjusted following any subsequent valuation, and applied in accordance with Regulation 6.

SCHEDULE 4

(Regulation 15)

EMPLOYER TRANSITIONAL CONTRIBUTION RATES

(1) This Schedule applies to employers referred to in Regulation 15(1) who shall in respect of each scheme year specified in column 1 of the Table, pay contributions of an amount equivalent to the percentage of pensionable earnings specified in column 2 of the Table –

1 Scheme year	2 Percentage of pensionable earnings of continuing members of the 1967 Scheme; or transition members
2019	14.40%
2020	15.20%
2021 up to and including 2023	16%

(2) If, as a result of the valuation as at 31st December 2021, the contribution rate specified in this Schedule applicable for the scheme year 2023 does not require an adjustment to be specified in the rates and adjustments certificate under Regulation 3(6)(c), that rate shall continue to have effect for the scheme year beginning on 1st January 2024 until such time as that rate is adjusted following any subsequent valuation, and applied in accordance with Regulation 6.

SCHEDULE 5

(Regulation 20)

RE-PAYMENT OF PRE-1988 LIABILITY

(1) In this Schedule –

"1967 Scheme employer" means an employer who before the 1st commencement date was –

(a) admitted to the 1967 Scheme under repealed Regulation 9 of the General Regulations; or

(b) treated as if admitted to the 1967 Scheme under any enactment which provided for that employer to become an employer for the purposes of that scheme in respect of members of that scheme whose employment with the States Employment Board was transferred to that employer;

"pre-1988 liability", in respect of the States Employment Board, means so much of the capitalized value from time to time of the debt transferred to the fund in respect of the 1967 Scheme when that scheme was amended with effect from 1st January 1988 that is attributable to the States Employment Board, being an amount calculated by the Actuary to be £280,268,529 as at 31st December 2014;

"administration of the States" has the meaning given in Article 1 of the Employment of States of Jersey Employees (Jersey) Law 2005[13];

"admitted employer" means an employer other than the States Employment Board;

(a) who in relation to the Scheme –

(i) is admitted to the Scheme under Regulation 7 of, and paragraph 2(1) of Schedule 1 to, the Membership and Benefits Regulations,

(ii) is admitted to the Scheme under Regulation 16(1) of the Transitional Regulations,

(iii) is admitted to the Scheme under Article 10(5) of the Law, or

(iv) is treated as if admitted to the Scheme under any enactment which provides for that employer to become an employer for the purposes of the Scheme in respect of members of the Scheme whose employment with the States Employment Board is transferred to that employer; and

(b) who, on or after the 1st commencement date, is treated as if admitted to the 1967 Scheme under Regulation 7 of, and paragraph 2(5) of Schedule 1 to, the Membership and Benefits Regulations;

"debt payment period" means the period that started on 1st January 2002 and ends on 29th September 2053 (both dates being part of the period);

"member" means a contributing, deferred or pensioner member of the 1967 Scheme, and the widow or widower or surviving civil partner, child or dependant of a such a member.

(2) The States Employment Board shall on the 1st commencement date continue to pay off its pre-1988 liability for the remaining term of the debt payment period.

(3) The States Employment Board shall do so without –

(a) the imposition of an obligation on members;

(b) an adverse effect on the benefits received or to be received by members; or

(c) an increase in the contributions paid or to be paid by members.

(4) To pay off its pre-1988 liability the States Employment Board shall during the remaining term of the debt payment period, pay to the fund by equal monthly contributions payable before the end of each month –

(a) for the year commencing on the 1st commencement date, an amount equivalent to –

(i) the sum of £4,406,724, increased by the same percentage increase as the average percentage increase in 2014 and 2015 in the pensionable earnings of those contributing members who were employed by the States Employment Board during the whole of those years, adjusted to take account of any extinguished liability where in 2015 a 1967 Scheme employer has –

(A) replaced an administration of the States, and

(B) paid such capital amount into the fund as is required to settle such portion of the pre-1988 liability as is attributable to that employer by reason of becoming a 1967 Scheme employer who has replaced an administration of the States, and

(ii) the sum of £3,000,000 pursuant to a decision of the States to adopt P.69/2012 in respect of the medium term financial plan approved under the Public Finances (Jersey) Law 2005, increased by the same percentage increase as the average percentage increase in 2015 in the pensionable earnings of those contributing members who were employed by the States Employment Board during the whole of that year; and

(b) for each subsequent year, the amount payable during the previous year increased by the same percentage increase as the average percentage increase during that previous year in the pensionable earnings of those contributing members who were employed by the States Employment Board during the whole of that year.

(5) The States Employment Board may at any time –

(a) extinguish its liability to make contributions in accordance with paragraph (4) by paying to the fund a contribution equal to the amount of its pre-1988 liability at that time, as determined by the Actuary;

(b) reduce its pre-1988 liability by paying any amount to the fund, either as a lump sum contribution or by way of increased contributions; or

(c) reduce the length of the debt payment period where the fund has received payment of a capital amount at any time after the 1st commencement date, in respect of an admitted employer who –

(i) has replaced an administration of the States, and

(ii) has paid such capital amount into the fund as is required to settle such portion of the pre-1988 liability as is attributable to that employer by reason of becoming an admitted employer who has replaced an administration of the States.

(6) Where –

(a) the States Employment Board makes a contribution to the fund in accordance with paragraph (5)(b);

(b) the 1967 Scheme is amended to end or adjust any future benefit accrual for any members;

(c) the Actuary determines that there has been a change of circumstances of the 1967 Scheme or an event, which need not be connected with that scheme, that has made compliance by the States Employment Board with paragraph (4) inadequate to ensure that both paragraphs (2) and (3) are complied with; or

(d) the Actuary determines that there has been a change that makes the debt re-payment provisions of this Schedule unacceptable as an asset of the 1967 Scheme for the purposes of a valuation in accordance with Regulation 3,

the States Employment Board shall, after receiving the comments of the Committee acting on the advice of the Actuary, propose to the States amendments to this Schedule that are adequate to ensure that both paragraphs (2) and (3) are complied with.

(7) The proposition –

(a) may, amongst other things, propose a variation in the length of the debt payment period or a variation in the amount of the contributions to be paid by the States Employment Board; but

(b) shall not propose an amendment of paragraph (3).

[1] *L.18/2014*
[2] *chapter 16.650*
[3] *chapter 16.650.48*
[4] *chapter 16.650.24*
[5] *P.96/2015*
[6] *chapter 16.650.12*
[7] *chapter 16.650.36*
[8] *L.18/2014*
[9] *P.98/2015*
[10] *chapter 16.650.60*
[11] *chapter 05.260*
[12] *P.99/2015*
[13] *chapter 16.325*