STATES OF JERSEY

PUBLIC EMPLOYEES CONTRIBUTORY RETIREMENT SCHEME: ACTUARIAL VALUATION AT 31ST DECEMBER 2007

Presented to the States on 8th March 2010
by the Chief Minister

STATES GREFFE

REPORT

1. The Public Employees (Contributory Retirement Scheme) (General) (Jersey) Regulations 1989, made in accordance with the Public Employees (Retirement) (Jersey) Law 1967, require an Actuarial Valuation at least every 5 years. It is the policy of the PECRS Committee of Management (COM) to have such valuations once every 3 years so as to keep the finances of the Scheme under more frequent scrutiny. The most recent valuation was signed off by the Scheme Actuaries on 2nd July 2009 and shows the Scheme as having a deficiency of £63.2 million as at 31st December 2007.

2. Under the PECRS (General) Regulations a deficiency can be carried forward if it appears to be of a temporary nature. The States Employment Board, having considered the Employer's Actuaries' professional opinion, is of the view that the deficiency may not be seen as being of a temporary nature and should dealt with under the Regulations.

3. Under the Regulations, proposals for dealing with a deficiency need to be agreed between the COM and the SEB before being submitted to the States according to the following timetable –

   - If agreement is reached within 3 months of the Valuation being laid before the States, then the Chief Minister submits the agreed proposals to the States.

   - If no agreement has been reached on proposals within 3 months of laying the Valuation before the States, then the Chief Minister submits a progress report noting its own proposals.

   - If within 6 months of laying the Valuation before the States the SEB and COM have reached agreement then the Chief Minister submits the agreed proposals to the States.

   - If no agreement has been reached on proposals within 6 months of laying the Valuation before the States, then after a further period of 3 months the COM must reduce the level of pension increases for the future.

4. The present Valuation was presented to the States on 11th August 2009; however, negotiations between representatives of the States Employment Board and the Public Employees Pension Joint Negotiating Group (JNG), which represents the interests of all members of the Scheme, have so far been unsuccessful, although discussions will continue until early May 2010.

5. The consequence of no agreement being reached is that the statutory fall-back position will apply. This means that the Committee of Management shall reduce or cancel any increase in pensions in payment, deferred pensions and deferred lump sums by a factor annually in perpetuity. The Scheme's Actuary has confirmed that a reduction of 0.3% in pension increases will address the 2007 Valuation deficiency of £63.2 million.

6. Notwithstanding the above, if a subsequent Actuarial Valuation were to disclose a surplus within 5 years of a reduction being applied to pension increases, the Regulations provide for making good the loss of any individual pensioner or deferred pensioner still living.