

STATES OF JERSEY



DRAFT PUBLIC EMPLOYEES (PENSIONS) (JERSEY) LAW 2014 (APPOINTED DAY) ACT 201-

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

STATES GREFFE



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REPORT

1. INTRODUCTION

Following the 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).

The States Employment Board (“SEB”) is proposing that the States should adopt a new employee Career Average Revalued Earnings (“CARE”) occupational pension scheme for States employees in place of the existing final salary scheme under the Public Employees’ Contributory Retirement Scheme (“PECRS”).

2. BACKGROUND

The decision to establish a new pension scheme for States employees arose primarily from the following factors –

- Most importantly, the present Scheme was unaffordable and running at a deficit. Actuarial advice is that the combined contribution rate for new entrants to the Scheme (that is, the proportion of salary contributed by both employer and employee) had become insufficient to fund the benefits being promised.
- There was a need to consider the current PECRS in the light of wide-ranging debate in the UK and Europe about the long-term sustainability of final salary pension schemes, given the extent to which life expectancy has improved in recent times, leading to significant cost increases.
- For funded schemes like PECRS, estimates of reduced future investment returns has meant that the cost of current PECRS benefits has increased, and might well increase further, but contribution rates have remained broadly unchanged since the mid-1980s.
- The Scheme Regulations, some of which came into force in 1967 and others in 1988, were outdated, and no longer supported either organisational working practices or the way in which many people live their lives in a modern society.
- The pension benefit was disproportionate for various groups of employees, some receiving a far more valuable pension package than others. There were

some significant cross-subsidies, leading to the majority of members subsidising the pensions of those on higher benefits.

3. THE DRAFT REGULATIONS

The draft Regulations provide the detail regarding the provisions of the new Public Employees Pension Scheme (“PEPS”), as well as the governance and administration across both PECRS and the PEPS Scheme.

The draft Regulations have been developed and refined following a sustained consultation period with the Committee of Management and their professional advisers during 2014 and 2015, and also 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 draft Regulations are generally considered the best option for a sustainable, affordable and fair pension scheme for States employees.

The States Employment Board has agreed that the Scheme will come into force on 1st January 2016 for all new employees of the States of Jersey and new employees of associated admitted employers. Most current employees employed prior to 1st January 2016 will move into the new Scheme on 1st January 2019.

If adopted by the States, this draft Appointed Day Act would bring the Pensions Law into force on 1st January 2016, except for Article 10(4) to (8) and Article 11, which will come into force on 1st January 2019. These Articles will come into force on a later date as they relate to the transfer of membership from the PECRS to the PEPS as at 1st January 2019, and the calculation of the final pensionable earnings for members who transfer into the Scheme as at that date.

The Appointed Day Act will ensure that the draft Regulations take effect from the required dates, to allow membership of the new Scheme to commence.

4. FINANCIAL AND MANPOWER IMPLICATIONS

The financial implications of adopting this Appointed Day Act are set out in the individual reports attached to each set of draft Regulations relating to the PEPS. The draft Regulations and their *Projet* numbers are listed below for information –

- Public Employees (Pension Scheme) (Administration) (Jersey) Regulations 201- (**P.96/2015**)
- Public Employees (Pension Scheme) (Funding and Valuation) (Jersey) Regulations 201- (**P.97/2015**)
- Public Employees (Pension Scheme) (Membership and Benefits) (Jersey) Regulations 201- (**P.98/2015**)
- Public Employees (Pension Scheme) (Transitional Provisions, Savings and Consequential Amendments) (Jersey) Regulations 201- (**P.99/2015**).

Explanatory Note

The effect of this Act would be to bring the majority of the provisions of the Public Employees (Pensions) (Jersey) Law 2014 (the “Law”) into force on 1st January 2016. That date, if the States so approve, would be the date for the implementation of phase 1 of the career average revalued earnings pension scheme (the “Scheme” established under the Law) for new States employees or employers and their employees who are admitted to the Scheme on or after 1st January 2016.

Articles 10(4) to (8) and 11 would come into force on 1st January 2019 so as to give effect to the implementation of phase 2 of the Scheme whereby the majority of members of the final salary Public Employees Contributory Retirement Scheme, established under the Public Employees (Retirement) (Jersey) Law 1967, would automatically transfer to the Scheme.



Jersey

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

THE STATES, in pursuance of Article 13 of the Public Employees (Pensions) (Jersey) Law 2014¹, have made the following Act –

1 Commencement of Law

The Public Employees (Pensions) (Jersey) Law 2014² shall come into force on 1st January 2016 except for Article 10(4) to (8) and Article 11, which shall come into force on 1st January 2019.

2 Citation

This Act may be cited as the Public Employees (Pensions) (Jersey) Law 2014 (Appointed Day) Act 201-.

¹ *L.18/2014*
² *L.18/2014*