WRITTEN QUESTION TO THE MINISTER FOR TREASURY AND RESOURCES BY DEPUTY G.P. SOUTHERN OF ST. HELIER ANSWER TO BE TABLED ON TUESDAY 10th JULY 2012

Question

"Will the Minister explain why his major proposal to remove final salary pensions for public sector employees appeared in the press in advance of any statement to States members or to public sector representatives?

Does he not consider that while negotiations on pay, terms and conditions for the public sector are at a sensitive stage, his statement may be seen as inflammatory?

Will he explain to members:

a) why this issue was not left to the States Employment Board to consider as part of its modernisation programme for the public sector;
b) why this problem is so urgent when "Jersey is far better placed than other jurisdictions" and "the Island's public sector pension pot has a very enviable balance of £1.2 billion";
c) whether he intends to renege on the recently negotiated agreement that the States were to cover pre-1987 shortfalls in return for higher contributions/smaller pensions;
d) whether he is including teachers pensions in this proposal, despite the fact that the teachers' pension fund which is financed differently to that in the UK and currently has assets of $300 million which makes it 'healthy'?"

Answer

In common with many other jurisdictions the States Employment Board is in the process of reviewing existing public sector pension provision. Many members will be aware of the independent review undertaken by Lord Hutton of UK public sector pensions – this important report has already led the way to some significant changes in the contributions and benefit structures of UK public sector pensions. Future pension arrangements in Jersey must have regard to Lord Hutton's recommendations, to facilitate movement of staff to and from the UK through Jersey's continued membership of the Public Sector Transfer Club.

A review of PECRS is underway and a Technical Working Group was set up at the request of the States Employment Board in 2011. The Group's key principles are sustainability (for hopefully some 25 years), affordability (for employees and Jersey tax payers), and fairness for all employees. After the normal process of discussion and negotiation with the trade unions, it is expected that revised pension arrangements will be in place by January 2015.

It is the Treasury Minister's job to ensure that all aspects of States expenditure are dealt with in an appropriate way. To ignore pension issues is not acceptable –increasing longevity places a real risk on these schemes which must be addressed.

a) The Technical Working Group was set up by the States Employment Board and the Treasurer reports to the SEB on progress at key points. Pensions are a highly complex and technical area and require specialist knowledge, expertise and advice. Changing a pension scheme involves long term strategic decisions. The underlying structure of these Schemes is fundamental to the benefits package that is offered to employees.

b) In addition to the Hutton report, two independent reviews – one commissioned by the States Employment Board, the second undertaken by the Committee of Management who run the PECRS - agree that the final salary pension schemes are unsustainable in their current form. Increasing longevity and expected lower investment returns on assets mean changes are necessary. Doing nothing is not an option.

c) The States took responsibility for the Pre-87 debt and is paying that debt within the 10 point agreement with the Committee of Management. There is no intention to renege on this agreement.

d) PECRS is one of two final salary schemes for States of Jersey employees - it is by far the larger of the two which is why it is being tackled first. Both schemes are funded schemes and have investments to pay pensions but if we do not address the structural issues, such as increasing longevity and lower investment returns, neither scheme will remain 'healthy'.