WRITTEN QUESTION TO THE MINISTER FOR SOCIAL SECURITY BY SENATOR B.E.SHENTON

ANSWER TO BE TABLED ON TUESDAY 2nd DECEMBER 2008

Question

> “Can the Minister advise the value of the Social Security (Reserve) Fund on the 31st December 2007 and the 31st October 2008 – detailing net performance over this period?”

Answer

The Social Security (Reserve) Fund is one of the States three main savings funds. At 31st December 2007 the value of the fund stood at £642.7 million.

Although these are turbulent financial times and the value of the funds are changing on a daily basis the value of the fund at the end of October was £528.5 million. This is a fall of 22 per cent after taking account of additional investments made in the earlier part of the year. In comparison, over the same period to October 2008, the FTSE 100 index fell by 32 per cent.

So far the fund has weathered the turmoil well and performed better than the FTSE index. No part of the fund was invested in any of the troubled Icelandic banks.

The aim of the Social Security (Reserve) Fund is to secure long-term gains with investment advice provided by a suitably qualified Investment adviser. The investment portfolio is passively managed; 80 per cent is invested in equities and 20 per cent in corporate bonds and cash. Over the last 5 years the Social Security (Reserve) Fund has grown by approximately 7 per cent per annum.

Currently the Social Security (Reserve) Fund holds the equivalent of more than three years worth of payments from the fund and current Social Security pension payments are secure.

Money is not expected to be needed from the Social Security (Reserve) Fund for at least the next five years (based on the last actuarial review), so the investment policy aim is to secure longer term growth in the fund. Furthermore, because the reserve is a ‘buffer’ to deal with the longer term funding of Social Security pension payments, the value of its assets can fluctuate from year to year without affecting those payments.