STATES OF JERSEY

STATES MEMBERS' PENSION SCHEME

Presented to the States on 30th November 2009
by the Privileges and Procedures Committee

STATES GREFFE

REPORT

Summary

The recommendations of the States Members' Remuneration Review Body were presented to the States in June 2009 by the Privileges and Procedures Committee, and included a proposal that pension arrangements should be introduced for States members (R.62/2009 refers).

At the time, the Review Body recommended that the scheme should be akin to a defined-cost contributory scheme and that no member should be obliged to participate if they did not wish to do so.

Further research has since been carried out by the Review Body, and the Privileges and Procedures Committee wishes to recommend that a scheme be introduced whereby the States make matched contributions to individual States members' private pension schemes.

The Committee invites members to consider this recommendation and forward any comments to the Committee Clerk, States Greffe (a.heuston@gov.je) by Friday 29th January 2010, at which time the Committee will instruct the Review Body to develop the scheme which will then be brought to the States for approval.

The Committee wishes to express its thanks to the members of the Review Body for the work that they have carried out in the development of this proposal to date.

Options considered

Following the publication of Part 2 of the Review Body's recommendations in June 2009, the Committee requested that further research be carried out into the options for a pension scheme for members.

Three different categories of scheme were considered by the Review Body and referred to the Committee.

1. **Introduce a scheme which would be operated by the States through the States Treasury and Payroll system.**

   It had been accepted that States members would not be able to participate in the Public Employees Contributory Retirement Scheme (PECRS) because they were not States employees and this might result in confusion between the different entitlements involved. Under this option, the States Treasury and Payroll system would construct and operate a special scheme for some 40 to 50 people with an appropriate allocation of resources.

2. **The establishment of a dedicated scheme for States members operated by an external scheme provider.**

   Such schemes are available "off the peg" for relatively small groups. Although this would have some advantages in terms of the high standards of reporting and associated investment advice, there would be costs in administering the scheme and members would be required to accept a high degree of scheme conformity.

3. The States make matched contributions to individual States members' private pension schemes.

Many States members may already have such private arrangements. There would be no direct involvement in the operation of the scheme either from the States or any external scheme provider. All that would be required would be for a States member to confirm that he or she had made an arrangement with a recognised scheme and the States would match contributions on a pound-for-pound basis to a pre-determined limit.

The Comptroller of Income Tax has indicated that, provided that each States member's pension scheme is recognised, he would allow contributions made by members to be considered as a deduction against income tax.

Both the Committee and the Review Body felt that option 3 would offer States members the greatest degree of flexibility with the least administrative burden and cost.

Scheme development

The Committee has therefore agreed that further work should be carried out to develop a scheme which would involve the States making matched contributions to individual States members' private pension schemes.

The Review Body considered that there would need to be a limit to the amount of contribution that the States would match and it was suggested that this might be fixed at 20% of the remuneration of States members (excluding expenses). Nothing should prevent a States member making his or her own additional unmatched contributions.

If contributions were matched in this way, the current approximate maximum States contribution for each member would be £8,000, which could in theory lead to an annual cost to the States of over £400,000. As it is unlikely that all members would participate, or that all those who did would wish to contribute at a level which attracted matching to the maximum extent, the cost to the States might be expected to fall considerably.

No funds were voted for 2010 in the recent Annual Business Plan for the purpose of introducing such a scheme. Further consideration will therefore need to be given to the provision of funding the pension scheme, which is unlikely to be able to be introduced until 2011.