STATES OF JERSEY

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PUBLIC EMPLOYEES CONTRIBUTORY RETIREMENT SCHEME: ACTUARY'S VALUATION REPORT

Presented to the States on 27th April 2004
by the Policy and Resources Committee

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 15th December 2003 and laid before the States on 27th January 2004. It shows the Scheme as having a deficiency of £78.1 million as at 31st December 2001. This takes into account the arrangements agreed between the Policy and Resources Committee, (PRC) as Principal Employer under the scheme, and the COM, subject to States approval, for dealing with the pre-1987 debt as described in the valuation concerned.

2. Under the PECRS (General) Regulations a deficiency can be carried forward if it appears to be of a temporary nature. The Actuaries' professional opinion, having regard also to movements in investment markets since 31st December 2001, was that the deficiency disclosed at that date should not be seen as temporary and should be dealt with, advising that this could be done –

   (a) By increases to the contributions of employers, or
   (b) By increases to the contributions of current or future members, or
   (c) By reductions in future pensions increases, or
   (d) By reductions in the benefits of current or future members, or
   (e) By a combination of more than one of these things.

3. Under the Regulations, proposals for dealing with a deficiency need to be agreed between the PRC and the COM 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 PRC 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 PRC submits a progress report noting its own proposals;

   - If within 6 months of laying the Valuation before the States the PRC and COM have reached agreement then the PRC 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. Since the present Valuation was laid before the States on 27th January the PRC and COM have not so far been able to reach agreement on how to deal with the deficiency. However, in accordance with normal practice, representatives of PRC have been negotiating on possible solutions with the Public Employees Pension Joint Negotiating Group (JNG) which represents the interests of all members of the Scheme. PRC is proposing that the deficiency should be met by adjusting benefits of future members under 2(d) above in recognition of the greater overall longevity being experienced; currently it has been agreed that the major part of the deficiency should be met in this way and negotiations on the remaining part are in their final stages.

5. A further report will be made to the States by 27th July, confirming the proposals agreed between the PRC and COM or, if agreement has not been confirmed, advising that the statutory fall-back position will apply.