STATES OF JERSEY

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PUBLIC EMPLOYEES CONTRIBUTORY RETIREMENT SCHEME: ACTUARY'S VALUATION REPORT AT 31ST DECEMBER 2004

Presented to the States on 21st March 2006
by the Chief Minister

STATES GREFFE

STATES EMPLOYMENT BOARD

ACTUARIAL VALUATION

PUBLIC EMPLOYEES CONTRIBUTORY RETIREMENT SCHEME (PECRS)

VALUATION AS AT 31ST DECEMBER 2004

Under Article 3(3) of the Public Employees (Retirement) (Jersey) Law 1967, an actuary, appointed by the Committee of Management of the Public Employees' Contributory Retirement Scheme (PECRS) has to regularly review the operation of the Scheme and make a report to that Committee on the financial condition of the Scheme and the adequacy or otherwise of the contributions payable to support the pensions and other benefits payable under the Scheme. A copy of every report produced under Article 3(3) must be laid before the States as soon as may be after it is made (Article 3(5) of the Law).

In the latest valuation, at 31st December 2004, the actuary concludes that there is an overall deficiency in the Scheme of £17.4 million if expressed as a capital sum. Having considered the actuary's advice, the Committee of Management and the Principal Employer are of the view that this deficiency can be seen as being of a temporary nature and may be carried forward to the next valuation. In the opinion of the actuary this is an entirely reasonable course of action to take.

States Members are reminded that PECRS is not a conventional final salary scheme whereby employees are guaranteed a pension related to their final salary and the employers have sole responsibility for meeting a deficiency.

The 1987 PECRS Law transferred the underlying risk of the Scheme to Scheme members, but allowed the employers to contribute to any deficiency should they choose to do. If the employers choose not to exercise this option then the position is that any deficiency, which is not carried forward to the next valuation, will have to be made good by members of the Scheme by –

- increasing the contributions of current or future members;
- reducing future pension increases; or
- reducing benefits of current or future members.

At the 2001 valuation the deficiency in the Scheme was met by reductions in the benefits earned by new employees, as well as making membership of the Scheme compulsory for States employees between the ages of 20 and 30.

In the light of fiscal changes, changes in the pensions industry more widely and the commitments in the draft Strategic Plan, the recommendation of the States Employment Board is that the Employers should not contribute to any future deficiencies.