Public Accounts Committee

Comments on the Reports by the Comptroller and Auditor General on the Public Employees Contributory Retirement Scheme (“PECRS”) and the Teachers Superannuation Fund (“TSF”)

States of Jersey
States Assembly

États de Jersey
Assemblée des États

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GOVERNANCE

The Public Accounts Committee was pleased to note that the Comptroller and Auditor General confirmed that the governance and management of PECRS followed best practice for such schemes. It was, however, disturbing to note that, until 1st April 2007, the governance and management of the TSF did not follow best practice.

The Committee concurs with the view of the Comptroller and Auditor General that the governance and management of the TSF should be reviewed once the recently established Management Board has established itself.

The Committee also agrees that it is important that the States should consider the adequacy of its existing arrangements to monitor compliance with statutory obligations that reports should be made to the States with a view to making such additional arrangements as appear expedient to ensure compliance with such reporting requirements.

STATUS

The Committee was concerned to note that the question of the status of the funds was the subject of a proposition to the Assembly on 12th October 1999 and that no further action has taken place.

The recommendations of the Comptroller and Auditor General are –

(1) the current status of PECRS as a fund of the States is unusual and represents a practical constraint on the ability of the States to limit exposure to the obligations of PECRS;

(2) in addition, the current status of PECRS leads to anomalies in the status and responsibilities of the Committee of Management (which originally led the Committee to seek legal advice);

(3) these difficulties and anomalies could be resolved by re-constituting PECRS as an independent trust; and

(4) the States should take appropriate steps to implement the decision of the States Assembly on 12th October 1999 or, if such a course of action is not considered prudent, to take such other cause of action that satisfactorily limits the States' exposure and resolves any remaining anomalies.

The Committee agrees with these recommendations and considers that it is essential that resolution of these issues should be given a high priority.

LIABILITIES

The Committee agrees with the Comptroller and Auditor General that it is important that pensions are such that they contribute to the States being able to recruit and retain the staff which the States need and at a reasonable cost.

As the Comptroller and Auditor General noted "*It is therefore appropriate that they are comparable with terms available for certain categories of staff in mainland authorities; and are transferable between Jersey and the mainland.*"

The Comptroller and Auditor General notes also that "*…as the rules of mainland public sector pension schemes change, it will be necessary on a regular basis to review the rules of both the PECRS and the TSF to ensure that the Island's schemes match the mainland experience*".

The Public Accounts Committee supports the view that the terms and benefits must be broadly equivalent to those of the mainland in order to recruit staff. The terms of such schemes on the mainland are being refined and it would be an unwarranted drain on public resources if the terms offered by the Jersey schemes were unreasonably higher than those on the mainland.

The Committee notes that the costs of both funds are higher than the costs of many private sector schemes. However, for significant categories of employees (e.g., people with central and local government experience or particular professional specialities), private sector pension schemes do not provide relevant comparisons.

The Committee is concerned that TSF was allowed to reach the position where the costs incurred by this scheme are higher than those of PECRS. It notes that the far-sighted reforms of the PECRS in the late 1980s were not matched at the time by equivalent reforms of the TSF.

The Committee also notes the comment *that the contrasting histories of the management of the States' exposure to the liabilities of the PECRS and of the TSF emphasises the importance of strong central financial management of the States' liabilities and also of strong central management of the States' human resources.*

The primary purpose of the work of the Public Accounts Committee since 2005 has been to review the state of financial management in the States. It is increasingly evident that although a start has been made, there is a considerable work to be done. The Committee considers that this work should be given the highest priority. It is essential that there is strong central financial management if States expenditure is to be brought under control. Since the cost of human resources is a major component of States' expenditure, it naturally follows that this should also be given a high priority.

The Committee has also considered the public comments that the schemes should be converted to defined contribution schemes.

It is theoretically possible that there could be 2 schemes, one for staff who must be recruited from the mainland and one for staff who might be recruited locally. This would undoubtedly increase the management costs of the scheme. The concept should also be considered in the context of overall employment costs, which will be considered by the Comptroller and Auditor General in a later report. The Committee will return to this issue after the publication of that report.