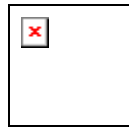


INCORPORATION OF JERSEY POST AND JERSEY TELECOMS: PENSION ARRANGEMENTS FOR NEW EMPLOYEES

**Lodged au Greffe on 7th November 2000
by the Deputy of Trinity**



STATES OF JERSEY

STATES GREFFE

180

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PROPOSITION

THE STATES are asked to decide whether they are of opinion -

to refer to their Act of 4th July 2000 in which they endorsed the revised approach to the incorporation of Jersey Post and Jersey Telecoms and agreed that the proposal that there should be no requirement upon the new companies that new employees recruited after incorporation should be members of the Public Employees Contributory Retirement Scheme would not be implemented unless the States had decided, after debate, to do so, and -

to charge the Industries Committee to include in the draft legislation being brought before the States for approval in connection with the incorporation of Jersey Post and Jersey Telecoms provision that all new employees of the new companies employed after incorporation must become members of the Public Employees Contributory Retirement Scheme unless any alternative pension arrangements proposed by either company have been approved by the States Assembly;

provided that either of the new companies, in special circumstances, should be allowed to make alternative pension arrangements for individual employees with the prior consent of the Human Resources Committee.

DEPUTY OF TRINITY

Report

Attached as Appendix 1 is a copy of my amendment (P.101/2000) concerning the incorporation of Jersey Post and Jersey Telecoms - Revised Approach.

In a debate on 4th July 2000 the President of the Policy and Resources Committee accepted my amendment P.101/2000, but the then States Greffier, who was in the chair, put my amendment to the vote and it was approved on a standing vote by all members except one.

Unfortunately, the President of the Policy and Resources Committee and his Vice-President, both members of the Postal Committee - the Vice-President of Policy and Resources is the President of Postal, have decided that a debate by this House on any new pension arrangements which either Jersey Post or Jersey Telecoms might decide to set up after incorporation, is not necessary, but rather, after consultation with the Unions, the Finance and Economics Committee should decide representing the States as Shareholders.

I believe that my report in P.101/2000 was quite clear, as was my explanation in the debate, and I am astonished that such a cavalier approach to what was agreed by this House should be adopted.

In addition, the suggestion now is that the strict interpretation of the working of my amendment does not provide for what my report clearly indicates, which I believe is splitting hairs.

To clarify the issue, I am asking the States to re-affirm what I believe was the clear decision by the States on 4th July 2000, and to instruct the Industries Committee, who are now responsible for bringing forward draft laws for incorporation, to include clauses to provide that Jersey Post and Jersey Telecoms, when incorporated, cannot, other than in exceptional circumstances on an individual basis and with the approval of the Human Resources Committee (the committee with very special responsibilities for PECRS), set up alternative pension arrangements without the approval of the States in debate.

**INCORPORATION OF JERSEY POST AND JERSEY TELECOMS: REVISED APPROACH (P.90/2000) -
AMENDMENT**

At the end of paragraph (a) insert the following words, except that the proposal that there should be no requirement upon the new companies that new employees recruited after incorporation should be members of the Public Employees Contributory Retirement Scheme would not be implemented unless the States had decided, after debate, to do so.

DEPUTY OF TRINITY

Report

In considering the report of the recommendations made by the Working Group referred to at the end of paragraph 7 (page 8) of the Committee's report, I have no difficulty if it is decided to reflect "unfunded" pension liabilities in the balance sheets of Jersey Post and Jersey Telecoms, although I will be arguing an alternative proposal to this particular treatment at another time.

What does particularly concern me, however, is the possibility of the companies setting up new pension arrangements outside PECRS which could most certainly affect potential new staff members into the future. If it became necessary to reduce pension costs there are ways of doing this, if thought appropriate, for all "States" employees without picking on staff at Jersey Post and Jersey Telecoms.

I do not wish to use this report to argue in detail different types of pension provision but will endeavour to circulate members with detailed information and happy to make myself available to any member who wishes to discuss the issues involved. The time for detailed debate would be if either Jersey Post or Jersey Telecoms decided to make alternative arrangements to PECRS as at that time members could be put in possession of the latest thinking and information.

I can say, however, that the States should recognise that as shareholders of Jersey Post and Jersey Telecoms, they would have a real responsibility to ensure that alternative arrangements are not made by the Boards of the Companies at any time without the arguments for and against being rehearsed in debate by the Assembly. It should be appreciated that the performance of the type of pension fund which might lead to some cost saving (money purchase scheme) directly affects the ability of pensioners to buy a pension and to provide for dependants. If the performance does not meet expectations, or if annuity rates at the time of retirement are particularly low, individual pensions and other benefits could be seriously affected. PECRS is designed and managed to reduce this risk as far as possible.

If Jersey Post and Jersey Telecoms remain as subsidiaries of the States of Jersey and new pension provision falls short of what PECRS can do, the States at some future date may be put under extreme pressure (moral if nothing else) to give the pensioners concerned improved benefits at considerable extra cost. The States as shareholders should be in a position to assess these risks at the time the decision to proceed along these lines is being made by either company. In my view such unfettered responsibility cannot be delegated to any particular Committee of the States to decide. This is not the time to assess the risks involved or to debate the issue in detail.

The Human Resources Committee together with the PECRS Committee of Management and independent legal counsel have been involved, with the help of the law draftsmen, in putting together clauses for the Jersey Post and Jersey Telecoms draft incorporation laws based on a considerable measure of agreement and it is to be deplored that at this late stage the proposed changes to what has been agreed have been put forward. What the staff must think of this about-face gives me much concern.

My amendment has not been put forward in any attempt to interfere with the commercial freedom of Jersey Post or Jersey Telecoms, but that freedom should be tempered by the need for a measured debate on any new pension provision and the alternatives available. The difference between the Policy and Resources Committee's proposition and this amendment is quite small, but fundamental, and reduces the risk that at some future date, maybe 30 years away, this Assembly might be debating a serious liability.