

2.2 Deputy G.P. Southern of the Minister for Treasury and Resources regarding changes to public sector pensions:

I love that phrase “at the present time”. At the present time, does the Minister consider that his announcement of major changes to public sector pensions in the media rather than directly to employee representatives is an appropriate way to initiate negotiations over this very sensitive issue?

Senator P.F.C. Ozouf (The Minister for Treasury and Resources):

Pension schemes all over the world are experiencing financial strains due to increases in longevity. While, of course, this is good news, it is putting immense strains on the funds as pensions are being paid for longer than previously expected. Secondly, as a result of the economic global downturn, particularly for funded schemes like P.E.C.R.S. (Public Employees Contributory Retirement Scheme), estimates for future investment returns have also been reduced. The 2010 actuarial valuation revealed that for new entrants joining the scheme, i.e., new employees, the contribution rate is 1 per cent below the required level. These emerging trends are causing a real crisis in terms of long-term sustainability and affordability of those schemes in the future. It would be more wrong if I, as Minister for Treasury and Resources, with regard to financial planning, did not include a statement to the public that the Public Sector Pension Schemes are and should be under review. As a result of these trends, a review of P.E.C.R.S. is underway and a technical working party has been set up. The working group will consider a report for wider discussion in the near future and the principles that the group is working for are sustainability, affordability and fairness. Once we are in the position to do so, the Chief Minister and I will formally invite the Public Employees Pension Scheme joint negotiating group on behalf of most of the public sector employees to consider the report and the various options and enter into proper consultation and negotiation with them.

2.2.1 Deputy G.P. Southern:

That is a minute and a half wasted because the Minister never addressed the question once. Does he believe that announcing policy changes or his opinion of policy changes in the press is an appropriate way to start negotiations with those who are concerned and affected by the pensions?

Senator P.F.C. Ozouf:

I do not know whether the Deputy has had an opportunity of reading the speech that I gave to the Chamber of Commerce. It was simply saying that there were appropriate issues on the States balance sheet that needed to be dealt with. It should come, and will come as no surprise to the Deputy or any Member of this Assembly, that there are issues in relation to pension schemes that have to be dealt with. In fact, I would be not doing my job if I were to not raise issues of sustainability in terms of public finances. This is not a new issue, it is not an issue that is going to go away, and it is an issue that has to be tackled jointly and properly.

[10:00]

2.2.2 Deputy G.P. Southern:

Yet again, he did not answer the question. Nonetheless did the Minister clear his speech with the Chief Minister or with the Treasurer? Did he inform anybody else that he was going to announce a major change in public policy to the Chamber of Commerce?

Senator P.F.C. Ozouf:

There has been no announcement of major policy changes. This is the same statement that is being made by local authorities, third sector organisations and private companies around the world, that because of longevity, there are issues in terms of the sustainability of pensions. This has been the subject of numerous questions in this Assembly in the past. The previous Chairman

of the P.A.C. (Public Accounts Committee) raised these issues. I was simply signalling that work is underway and that should not be a surprise to the Deputy.

2.2.3 Senator S.C. Ferguson:

Yes, this has been known for some years so why is the Minister for Treasury and Resources only just addressing it now?

Senator P.F.C. Ozouf:

The Minister for Treasury and Resources is not addressing it now. The Minister for Treasury and Resources has been considering options and working on this which is forming the basis of the Treasurer's work in relation to pension schemes. There is nothing new in this issue. If there is anything new, it is the Treasurer's and my view that we should be at least looking at the possibility of clearing the pre-1987 debt earlier, and I would say that that is something that employees and pension holders of the scheme should welcome as something new and positive for the scheme.

2.2.4 Deputy J.A. Hilton:

Is the £14 million worth of savings on terms and conditions and savings on salaries for States employees, in his current work looking at the pension scheme, all part and parcel of going towards the £14 million worth of savings? Is the Minister able to tell the House whether he thinks that is going to be achievable within the timescale?

Senator P.F.C. Ozouf:

The Chief Minister will address the Assembly, no doubt, in his questions on the issue of pay and conditions. Certainly, I am aware and my Assistant Minister sits on the S.E.B. (States Employment Board)... I understand that discussions are ongoing in relation to pension levels. What I can also say to the Deputy is that while the Medium Term Financial Plan is going to be lodged in 10 days or so, we are making provisions in order to make progress into repaying the pre-1987 debt earlier. As I said earlier, I think that is something that employees and pension holders will welcome as a prudent measure and something that improves the pension scheme.

2.2.5 Deputy G.P. Southern:

Is it not the case that the technical working group that is working on this issue has not produced its paper and that the Minister has pre-empted the options it will present? Is it not also true that he said that he wanted to see an end to the final salary pensions, even for existing members, and therefore has made a significant move towards changing the terms and conditions of public sector workers before he addressed it with their representatives? Does he not feel that this is wrong?

Senator P.F.C. Ozouf:

I am accused of not answering questions but when a barrage of questions is made, it is rather difficult to deal with it. I am perfectly happy to deal with it. **[Aside]** I think I have just been called "sweetheart".

The Deputy Bailiff:

That is unparliamentary, Deputy, and I would ask you to withdraw it.

Senator P.F.C. Ozouf:

These are serious issues which require proper debate. Lord Hutton in the United Kingdom has set out the future of pensions for United Kingdom employees. We are in a far stronger position in Jersey, having a fund to pay our Civil Service pensions but changes have to be made. Those changes need to be done properly, they need to be done in a sustainable way and they need to be done after proper consultation and that is exactly what will happen. I wish the Deputy to send

back a signal to the people that he is proposing, no doubt, to represent in relation to this issue that the Government of Jersey is prepared to continue with good pensions, proper pensions that are sustainable and that are also affordable to the public sector.

Deputy G.P. Southern:

Can I have one last go, Sir, a clarification?

The Deputy Bailiff:

No, you may not.

Deputy G.P. Southern:

Thank you.

The Deputy Bailiff:

But Deputy, I am going to say this to you. I required you to withdraw the word “sweetheart” and I now have decided in accordance with Standing Orders to require you to apologise for the use of that expression.

Deputy G.P. Southern:

I am quite willing and able to apologise and I do so, Sir.