

STATES OF JERSEY



JERSEY TEACHERS' SUPERANNUATION FUND: ACTUARIAL VALUATION AS AT 31ST DECEMBER 2001

**Presented to the States on 3rd May 2006
by the Minister for Education, Sport and Culture**

STATES GREFFE

REPORT

Article 3(11) of the Teachers' Superannuation (Jersey) Law 1979 requires that 'an Actuary, appointed for the purpose by the Committee, shall review the operation of the Fund..... during the period ending with 31st December in every fifth or earlier year..... the actuary shall make a report to the Committee on the financial condition of the Fund and the adequacy or otherwise of the contributions payable under this Law to support the pensions and other benefits payable thereunder'.

At the request of the Education Department the Government Actuary carried out an actuarial review (or valuation) of the Fund as at 31st December 2001. The previous valuation was carried out as at 31st December 1996.

Under the existing provisions of the Fund as at 31st December 2001, i.e., no widowers' benefits in respect of post-1988 service and pension increases funded from the Committee's revenue budget rather than the Fund, there was a valuation surplus of £16.6 million.

However, the former Education, Sport and Culture Committee has made changes to the Teachers' Superannuation (General Provisions) (Jersey) Order 1986, in order to provide for widowers' benefits in respect of post-1988 service and has been reviewing how future pension increases may be funded from Fund to reduce the increasing demands on the Committee's revenue budget. Including these provisions in the valuation as at 31st December 2001, there was a valuation deficiency of £64.4 million.

The Government Actuary concluded that 'the actual recommended employer contribution rate will depend on which changes (if any) to the Scheme provisions are implemented with effect from 1st January 2004 (particularly whether the Fund will meet the cost of pension increases), and the period over which any surplus or deficiency is amortised'.

As negotiations to transfer membership to the Public Employees Contributory Retirement Scheme (PECRS) ceased the former Education, Sport and Culture Committee agreed, in principle, to provide for a Teachers' Scheme similar to the Scheme (PECRS), subject to the necessary approvals to the Teachers' Superannuation (Jersey) Law 1979 and associated Orders which will be brought to the States during 2006. The cost of this proposal would be an employer's contribution rate of 16.8% which is 1.2% above that paid in respect of PECRS. However this can be explained by the cost of the delay in increasing employer's contributions since 1996. (Current employer's contribution rate is 9.95%.) Existing members will retain existing benefits, but pension increases from 1st January 2007 will be met from the Fund. New Members from 1st January 2007 will receive benefits in line with the Public Employees (Contributory Retirement Scheme) (New Members) (Amendment No. 10) (Jersey) Regulations 2005 which were agreed by the States on 27th September 2005.

The Treasurer was advised of the Committee's preferred way forward and subsequently the Treasury and Resources Minister wrote to the Minister on 9th December 2005 stating that: 'The new scheme, proposed to come into operation from 1st January 2007, will address future requirements. The Council of Ministers will be the appropriate body to consider how the additional cost of the increased employer's rate will be met'.

The Council of Ministers has confirmed that an amount of £1.3 million will be added to the Department's cash limit from 2007 to meet the additional cost of the employer's contribution so it is now an appropriate time for the Minister to advise the States of the results of the earlier valuation.

The next actuarial valuation will be undertaken as at 31st December 2006.