

# Social Security Department

Centre for work, pensions and benefits

## MINISTER

I. J. GORST, Deputy of St. Clement (from 11 December 2008)

P.F. ROUTIER, Senator (to 11 December 2008)

## ASSISTANT MINISTER

A. E. JEUNE, Deputy of St. Brelade (from 16 December 2008)

P. N. TROY, Deputy of St. Brelade (to 11 December 2008)

## CHIEF OFFICER

R. W. BELL

On the XX XXX 2009, the Social Security Minister presented to the Assembly its Report and Financial Statements for the year ended 31st December 2008.

The States ordered that the said Report be printed and distributed.

**Mr. M. N. De La Haye**

Greffier of the States



# Contents

Minister's Report on the 2008 Financial Statements	page 5
Social Security Fund	page 13
Social Security (Reserve) Fund	page 38
Health Insurance Fund	page 57
Statistical Appendix	page 77



# Minister's Report for 2008

## Introduction

I am pleased to present this Report, my first as Social Security Minister.

The Social Security Fund has again achieved success in terms of its finances, with income increasing at a greater rate than expenditure, generating a surplus of £ 35.9 million – though this was £2.7 million less than 2007.

As expected, the performance of the Social Security (Reserve) Fund over the last year has been disappointing. However, considering the turbulence in the world's financial markets it has weathered well and out-performed the FTSE 100 share index for the comparable time period. The Social Security (Reserve) Fund continues to hold the equivalent of more than three years worth of pension payments from the Social Security Fund and current pension payments are secure. Money is not expected to be needed from the Social Security (Reserve) Fund for at least the next five years (based on the last actuarial review) so the investment policy is to secure long term growth in the Fund. An updated actuarial review is expected shortly. As the Reserve Fund is a 'buffer' to deal with the longer term funding of Social Security pension payments, the value of assets can fluctuate from year to year without affecting those payments. Over the last five years the Reserve Fund has grown at an approximate rate of 7 per cent per annum on average.

The main focus of the Department during 2008 was on the introduction of the new Income Support system. This benefit was introduced, as planned, on 28 January 2008 with over 8,000 households transferred from existing benefits on the same day. This was a major undertaking for the Department and has, in all, been very successful. It must not be forgotten that during this period the Department continued with its vitally important "day-to-day business of collecting contributions from local employers and employees and distributing a range of benefits and pensions to clients, as reflected by these Financial Statements.

2008 also saw the establishment of the Skills Executive, a partnership between representatives of the business community and three States Departments – Economic Development, Education, Sport & Culture and Social Security. A new service, Careers Jersey, is now operating from the La Motte Street site, with some Social Security staff transferring to the new venture. This partnership will continue to be built upon during the coming months, providing employment and careers advice to local residents.

The Department continued to consolidate and extend progress in a number of major policy areas. In particular the work progressed on phase 2 of the Employment Legislation programme with regards to family friendly and flexible working policies and the preparation of redundancy and business transfers legislation.

As reported last year, these Financial Statements which comprise the Social Security Fund, the Social Security (Reserve) Fund and the Health Insurance Fund, are U.K. GAAP compliant. The Department was the first to achieve this and remains ahead of the requirement for the States of Jersey which adopts UK GAAP compliant accounts for the year ending 31 December 2009.

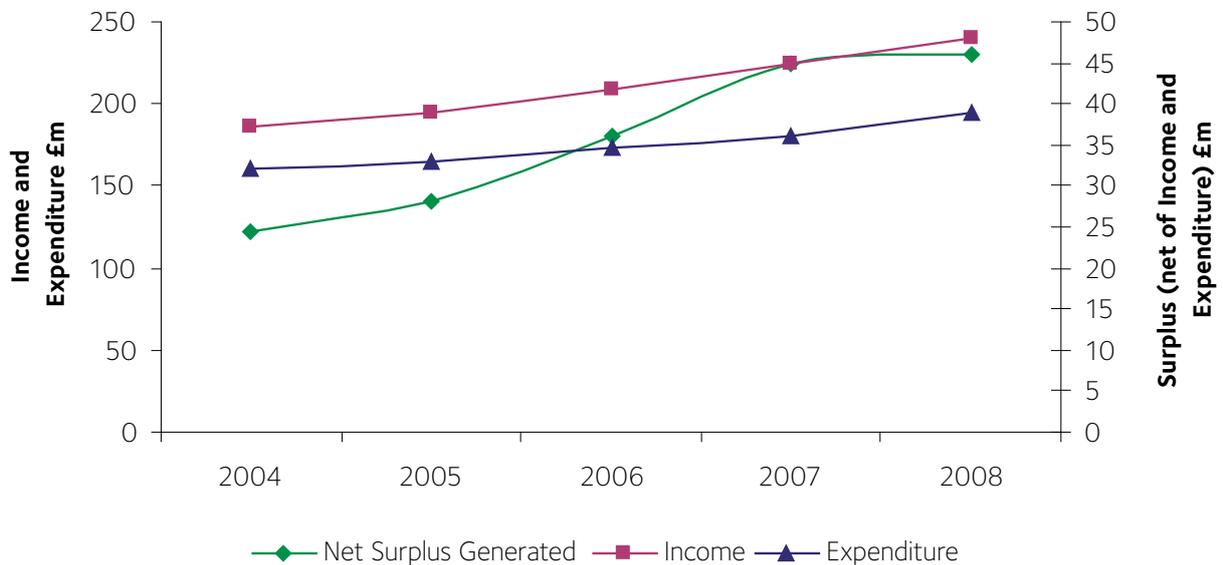
# Minister's Report for 2008

The year saw a sustained rise in contribution income and expenditure, with a surplus achieved during the year in both the Social Security Fund and Health Insurance Fund, providing opportunity for further investment for the future. Headline figures were:

- **Income** from contributions, supplementation interest and rent reached £239 million, an increase of 7% (2007: £224 million).
- **Expenditure on benefits** was £186 million, a rise of 7% (2007: £174 million).
- A reduction of £75.1 million in **Net Assets** of the **Social Security (Reserve) Fund**, the investment vehicle for the Social Security Fund, reducing the total balance to £567 million (2007: £642 million). The total balance includes the 2008 transfer from the Social Security Fund of £35 million.
- An increase of £9 million in **Net Assets** of the **Health Insurance Fund**, raising the Net Assets to £72 million (2007: £63 million)

The graph below shows the movement in income and expenditure over the last five years and the surplus achieved:

INCOME, EXPENDITURE AND SURPLUS OF THE SOCIAL SECURITY AND HEALTH INSURANCE FUNDS



# Minister's Report for 2008

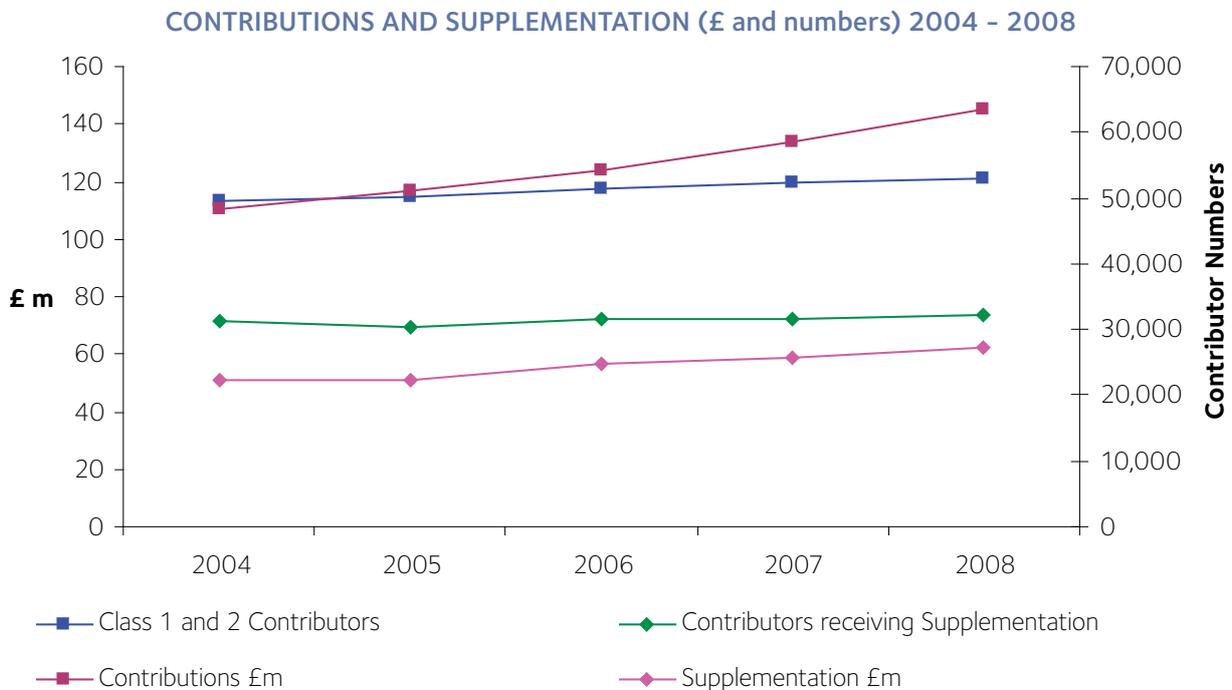
## Social Security Scheme

The Social Security scheme is the means by which people insure themselves, through the payment of contributions, for their retirement and for periods of ill-health or disability.

**Contributions** collected from employees and employers rose by £11 million to £145 million (2007: £134 million). This rise reflects the earnings linked up-rating in the contribution ceiling (4.7%) and the increase in the number of people working on the Island. There were approximately 53,000 working in the island and contributing - an increase of over 700 from 2007.

**States Contribution** reflects the funding provided by the States to top-up the contributions of the lower to medium range of wage earners (those earning between £8,604 and £40,728 per annum) to protect their benefit and pension entitlement. This is called supplementation and for 2008 the number of workers earning below the contribution ceiling during the year and requiring supplementation increased by 711 to 32,195 (2007: 31,484). The impact of this was an increase in cost of £3.2 million (5.5% ) from 2007 to reach £61.8 million for the year. In terms of both numbers supplemented and cost these figures were less than originally forecast which is partly reflected by the slowing down in the economy in the last quarter of 2008.

The graph below shows contributor numbers and supplementation over the last 5 years:



# Minister's Report for 2008

## Social Security Scheme

- **Pension costs** increased by 7% to £124.7 million (2007: £116.5 million). The increase was driven by two factors – the increase in pensioner numbers from 2007 to 24,894 (2007: 24,202) and the annual earnings-linked up-rating.
- **Incapacity Allowances** increased by 1.9% to £36.9 million (2007: £36.2 million). These are payable when a person is unable to work through injury, ill-health or disability.
- **Grants and Allowances** The Department pays maternity allowance, maternity grant and death grant. These costs totalled £2.9 million for the year (2007: £2.7 million) and accounted for 1.8% of benefit expenditure in 2008.

# Minister's Report for 2008

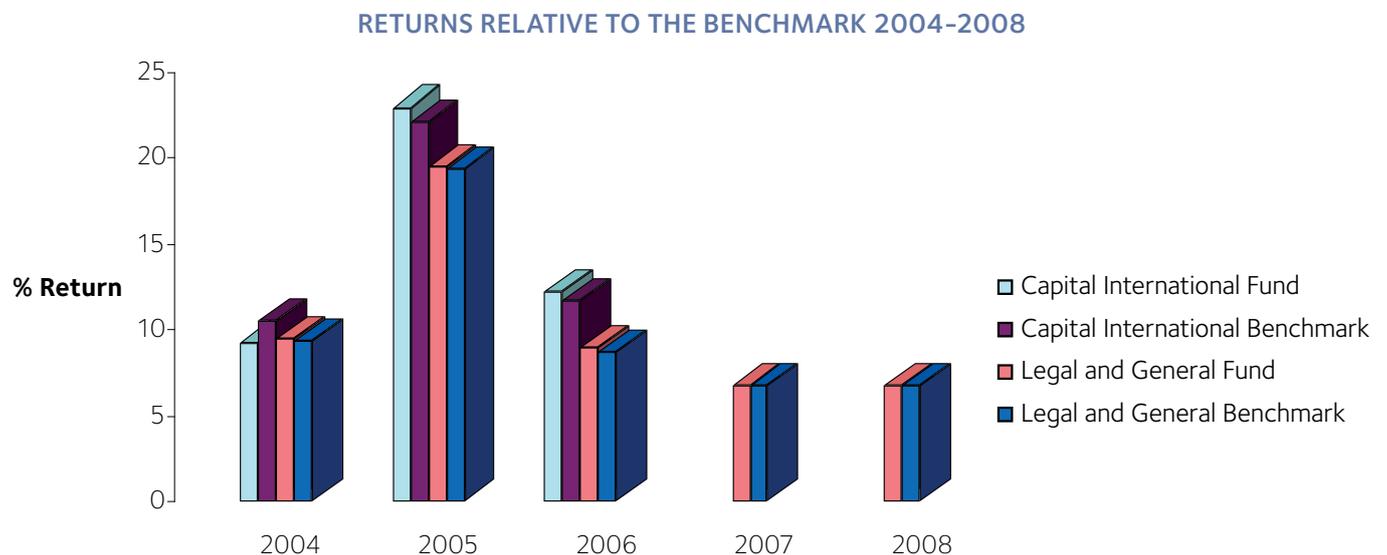
## Social Security (Reserve) Fund

The Social Security (Reserve) Fund is the mechanism by which contribution rate and ceiling changes are smoothed over time. Without this Fund, pensions and benefits would need to be paid entirely on a pay-as-you-go basis. At present and for the foreseeable future, benefits will be funded out of annual revenues. The Fund increases certainty and enables longer term planning by employers, employees and the States of Jersey.

The net asset value of the Fund was £566.5 million at the end of 2008 - a decrease of £75.1 million on 2007. However, during the latter part of 2009, the value of the Fund investments has improved significantly and at 30 September 2009, after further deposits of £20 million, stood at £665.1 million. The Accounting Officer of the Fund is the Treasurer of the States. The Fund is performance managed by the Treasury and Resources Department through a Committee chaired by the Minister for Treasury and Resources. Investment advice is received from Hewitt Associates Limited.

The Social Security (Reserve) Fund is a very long term investor that does not currently require its assets to be readily available. Liquidity is not therefore a key component of the investment strategy except that the holding of liquid assets enables changes to be made easily.

The graph below shows the return achieved against the benchmark over the last 5 years:



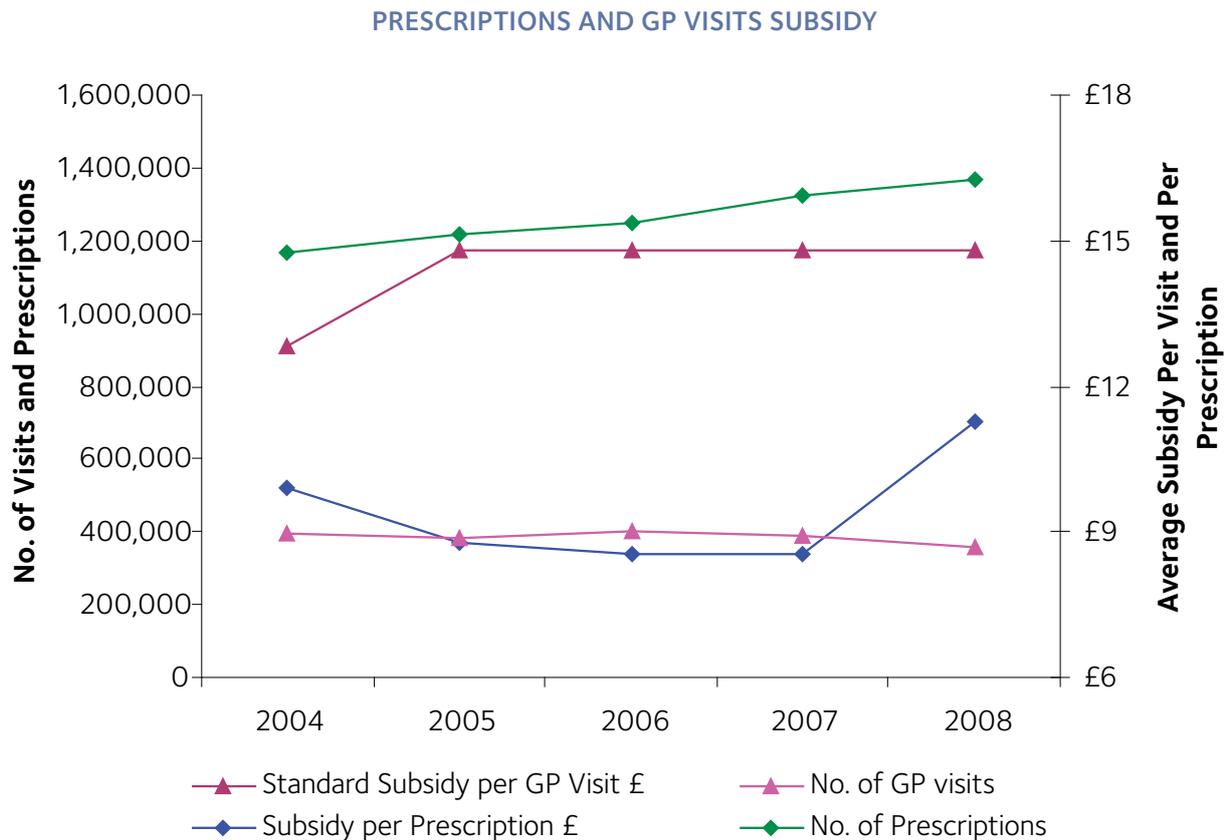
# Minister's Report for 2008

## Health Insurance Fund

The Health Insurance Fund levies contributions on earnings to subsidise GP visits and prescriptions for residents.

- **Contributions** collected from employees and employers rose by £2 million to £27.5 million, an 8% increase (2007: £25.5 million) which reflects both the earnings linked up-rating in the contribution ceiling and the increase in the number of people working in Jersey.
- During 2008, the number of subsidised visits to **General Practitioners** was in excess of 355,000, costing £5.4 million (2007: £6.3 million).
- The cost of subsidising **prescriptions increased** during 2008 to £15.6 million (2007: £11.7 million), the result of free prescriptions, the implementation of the island wide formulary and an increase in the number of prescriptions. The Department continues to work with General Practitioners on prescribing protocols and the selection of cost effective products.

The graph below shows the number of GP visits and prescriptions with the average subsidy paid over the last five years:



# Minister's Report for 2008

## Health Insurance Fund

The **Net Assets** of the Health Insurance Fund reached £72.1 million at the end of 2008 (2007: 63.4million). This Fund continues to perform well, however this should not be cause for complacency. This will assist in cushioning the financial impact of developments in medical technology and the challenge of future demographic changes.

The UK Government Actuary's Department (GAD) last carried out their review of the Fund as at 31 December 2002 and reported that it had grown strongly over the previous 5 years. The next report which is for the period ending 31 December 2007, will be published once available. The Investment Policy sets out the requirement that the Fund must meet at least 12 months' expenditure and at present the accumulated surplus exceeds this target by more than three times.

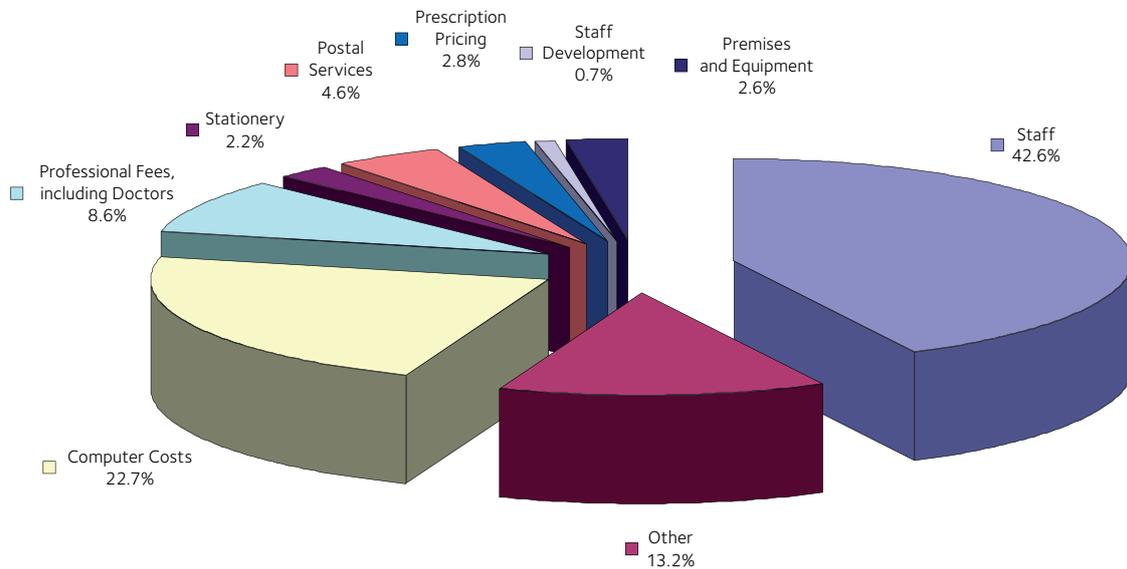
# Minister's Report for 2008

## Administration of the Funds

The Social Security Department administers the Social Security Fund and the Health Insurance Fund. The Social Security (Reserve) Fund is administered by the Treasury and Resources Department. Expenditure on administering benefits from these funds amounted to £7.3 million (2007: £5.2 million). This accounts for 3.9% (2007: 3.0%) of benefits administered. The majority of this increase is due to a one off development cost for the software package "Nessie".

The pie chart below shows the category of expenditure within the total administration cost:

ADMINISTRATION COSTS £7.3 MILLION - EXPENDITURE ANALYSIS



# Social Security Fund

## The funding principles of the Social Security Scheme

The Social Security Scheme is financed on the "Pay-as-you-go" basis, with the expenditure on benefits and administration being met from current income.

The Social Security (Reserve) Fund is maintained for a dual purpose:-

1. as a reserve against adverse economic conditions or other contingencies
2. as a mechanism by which contribution rates may be levelled out over the years

Social Security requires long term planning. The rates of contribution required to meet the outgoings of the Scheme are determined not only by the level of benefits, but also by the relative number of beneficiaries and contributors. Independent actuarial reviews of the scheme are taken every three years to assist in this planning. The latest actuarial report as at 31st December 2003 concluded that the financial outlook for the Fund remains healthy in the short to medium term. This is largely due to the 0.5 per cent increases in the contribution rates each year from 1998 to 2002 and the increases in the upper earnings limit over and above earnings growth. Copies of the latest actuarial report are available from the States' Greffe. The report to 31 December 2006 will be available during 2009.

# Social Security Fund

## Statement of the responsibilities of the Social Security Minister of the States of Jersey in respect of the Financial Statements

The Social Security (Jersey) Law, 1974, requires that financial statements of the Social Security Fund and Social Security (Reserve) Fund shall be prepared in such form, manner and at such times as the Social Security Minister may determine. The Minister is responsible for preparing the financial statements.

In preparing the financial statements the Minister is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable United Kingdom accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on a going concern basis unless it is inappropriate .

The Minister is responsible for keeping proper accounting records which disclose with reasonable accuracy, at any time, the financial position of the Funds.

The Minister is responsible for safeguarding the assets of the Fund and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Annual Report is available as a publication and on a website maintained by the States of Jersey. The maintenance and integrity of the website is the responsibility of the States of Jersey. The work carried out by the auditors does not involve consideration of the maintenance and integrity of this website and accordingly, the auditors accept no responsibility for any changes that have occurred to the Annual Report since they were initially presented on the website. Visitors to the website need to be aware that legislation in Jersey governing the preparation and dissemination of financial statements may differ from legislation in their own jurisdiction.

# Social Security Fund

## Independent Auditor's Report to the Minister for Social Security

I have audited the financial statements of the Social Security Fund and the Social Security (Reserve) Fund which comprise the income and expenditure account, the statement of total return, the statement of total recognised gains and losses, the balance sheets, the cash flow statement and related notes. These financial statements have been prepared under the accounting policies set out therein.

### Respective responsibilities of the Minister and auditors

As described in the Statement of the Minister's Responsibilities, the Minister is responsible for the preparation of the financial statements in accordance with applicable Jersey law and United Kingdom Accounting Standards.

My responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the Minister in accordance with the Social Security (Jersey) Law 1974 and for no other purpose. I do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by my prior consent in writing.

I report to you my opinion as to whether the financial statements give a true and fair view and have been properly prepared in accordance with the Social Security (Jersey) Law 1974. I also report to you if, in my opinion, the Minister's Report is not consistent with the financial statements, if the Department has not kept proper accounting records, or if I have not received all the information and explanations I require for the audit.

I have read the other information contained in the Annual report and consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the Minister's Report and the statistical appendices.

### Basis of audit opinion

I have conducted my audit in accordance with the International Standard on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Minister in the preparation of financial statements, and of whether the accounting policies are appropriate to the funds' circumstances, consistently applied and adequately disclosed.

I planned and performed the audit so as to obtain all the information and explanations which I consider necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements.

### Opinion

In my opinion the financial statements give a true and fair view, in accordance with United Kingdom Accounting Standards, of the state of the Funds' affairs as at 31 December 2008 and of their transactions and cash flow for the year then ended and have been properly prepared in accordance with the Social Security (Jersey) Law 1974.



C Swinson OBE  
Comptroller and Auditor General  
Morier House, Halkett Place, St Helier, JE1 1DD  
6 November 2009

# Social Security Fund

## Income and Expenditure Account for the year ended 31 December 2008

	Notes	2008 £000	2007 £000
<b>INCOME</b>	1		
Contributions		144,634	133,913
States contribution		61,842	58,627
Bank interest		1,878	1,513
Other income		126	105
Net income from Social Security (Reserve) Fund		-	5,983
		<b>208,480</b>	<b>200,141</b>
<b>EXPENDITURE</b>	1		
<b>Benefits</b>			
<b>Pensions</b>			
Pensions and survivors' benefits		124,671	116,506
<b>Short term incapacity</b>			
Short term incapacity allowance		11,664	11,198
<b>Long term incapacity</b>			
Long term incapacity allowance		10,462	9,132
Invalidity benefit		14,861	15,914
		<b>25,323</b>	<b>25,046</b>
<b>Grants and allowances</b>			
Maternity allowance		1,971	1,830
Maternity grant		508	482
Death grant		428	366
		<b>2,907</b>	<b>2,678</b>
		<b>164,565</b>	<b>155,428</b>
<b>Administration expenses</b>			
Staff costs	4	2,649	2,506
Depreciation	7	1,906	2,061
Other administrative expenses		2,961	1,548
Net amount due to Social Security (Reserve) Fund		511	-
		<b>8,027</b>	<b>6,115</b>
		<b>172,592</b>	<b>161,543</b>
<b>Surplus of income over expenditure for the year</b>	6	<b>35,888</b>	<b>38,598</b>
<b>Transferred to Social Security (Reserve) Fund</b>		<b>511</b>	<b>(5,983)</b>
<b>Retained Surplus for the year in the Social Security Fund</b>		<b>36,399</b>	<b>32,615</b>

### Continuing Operations

All of the fund's income and expenditure is derived from continuing activities.

### Note of Historical Cost Profit and Losses

There are no material differences between the surplus of income over expenditure for the year and the retained profit for the year stated above and their historical cost equivalents.

The notes on pages 20 to 36 form an integral part of these financial statements.

# Social Security Fund

## Statement of Total Recognised Gains and Losses as at 31 December 2008

	2008 £000	2007 £000
<b>Surplus for the financial year</b>	<b>36,399</b>	32,615
Appropriation (from)/to Social Security (Reserve) Fund	<b>(511)</b>	5,983
Transferred to Social Security (Reserve) Fund	<b>(35,120)</b>	(21,600)
<b>Total recognised gains and losses</b>	<b>768</b>	16,998

The notes on pages 20 to 36 form an integral part of these financial statements.

# Social Security Fund

## Balance Sheet as at 31 December 2008

		2008		2007	
		£000	£000	£000	£000
<b>Fixed Assets</b>					
Tangible fixed assets	7		10,352		12,310
Debtors: amounts falling due after more than one year	8		914		105
<b>Current Assets</b>					
Debtors	8	40,982		36,403	
Cash at bank and in hand		24,184		33,386	
		65,166		69,789	
<b>Creditors: amounts falling due within one year</b>	9	5,806		12,825	
<b>Net Current Assets</b>			59,360		59,964
<b>Creditors: amounts falling due after more than one year</b>	10		-		(32)
<b>Net Assets</b>			70,626		69,347
<b>Funds Employed</b>					
Revaluation Reserves	11		719		719
Revenue Reserves	12		69,907		68,628
			70,626		69,347

The Financial Statements on pages 16 to 55 were approved by the Social Security Minister, Deputy I. J. Gorst on 6 November 2009.



Deputy I. J. Gorst

The notes on pages 20 to 36 form an integral part of these financial statements.

# Social Security Fund

## Cash flow Statement as at 31 December 2008

	Notes	2008		2007	
		£000	£000	£000	£000
<b>Operating Activities</b>					
Net cash inflow from operating activities	14		25,112		28,748
<b>Returns on Investments and Servicing of Finance</b>					
Bank interest received		1,947		1,451	
Rent received		120		99	
<b>Net Cash inflow from Returns on Investments and Servicing of Finance</b>			2,067		1,550
<b>Capital Expenditure and Financial Investments</b>					
Payments to acquire tangible fixed assets		(284)		(1,472)	
Transfers to Social Security (Reserve) Fund		(35,120)		(21,600)	
<b>Net cash outflow from Capital expenditure and Financial Investments</b>			(35,404)		(23,072)
<b>Management of Liquid Resources</b>					
Decrease / (increase) in money held on deposit	15		10,300		(8,350)
<b>Increase / (decrease) in cash in year</b>			2,075		(1,124)

### Reconciliation of net cash flow to movement in net funds

	Notes	2008		2007	
		£000	£000	£000	£000
Increase / (decrease) in cash in the year		2,075		(1,124)	
Cash used to (decrease) / increase liquid resources		(10,300)		8,350	
Change in Net Funds			(8,225)		7,226
Net Funds at 1 January			29,967		22,741
Net Funds at 31 December	15		21,742		29,967

The notes on pages 20 to 36 form an integral part of these financial statements.

# Social Security Fund

## Notes to the Financial Statements for the year ended 31 December 2008

### 1. ACCOUNTING POLICIES

#### 1.1 Basis of Preparation

The financial statements are prepared on the historical cost convention, as modified by the revaluation of certain tangible fixed asset investments, in accordance with UK GAAP, so far as it is applicable to these financial statements. In the absence of any detailed guidance on the required format of financial statements the Minister for Social Security has determined the appropriate format of the accounts. The Reporting Manual for Government entities considers the question of accounting for specialised funds and requires that their presentation is agreed on a case by case basis with the relevant authority, which under the Social Security (Jersey) Law 1974 is the Minister for Social Security. The Minister considers that the format contained within these financial statements is the most appropriate to the circumstances of the Social Security Fund (the "Fund").

The preparation of financial statements in conformity with UK GAAP requires the use of certain critical accounting estimates. It also requires the Minister to exercise his judgement in the process of applying the Fund's accounting policies.

FRS17 sets out the standards for sponsors of occupational pension schemes to account for their liabilities in respect of those schemes. It requires sponsors to place on their balance sheet the surplus or deficit in the scheme as far as the sponsor is able to recover the surplus or make up the deficit. The annual change to the surplus or deficit is reported partly through the profit and loss account and partly through the Statement of Total Recognised Gains and Losses (STRGL).

The Fund provides pension benefits for the contributors of the scheme within the Island and hence could be seen to fall under FRS 17. However, there are a very wide range of opinions on the extent to which countries need to declare their pension scheme surplus or deficit and these have yet to be resolved. This view is supported by the UK Government Actuary Department (GAD) who have advised that they are unaware of any countries who report their pension scheme surplus or deficit on their balance sheet. Considering all of these factors and the nature of the Fund, the Minister has decided that it is not appropriate to include any pension scheme surplus or deficit on the Fund's balance sheet.

A summary of the more important accounting policies are set out below together with an explanation of any changes which have been made to previous policies on adoption of new accounting standards.

#### UK GAAP Disclosures

The Department has considered the disclosure requirements under UK GAAP and has adopted FRS26, 'Financial Instruments: Recognition and Measurement' and FRS29, 'Financial Instruments Disclosure'. FRS26 requires the investments to be carried using bid price. FRS29 requires disclosure as to the nature and risks arising from financial instruments to which the Fund is exposed and how these are managed.

#### 1.2 Foreign Currency

##### (a) Functional and Presentation Currency

The performance of the Fund is measured and reported to the Department in sterling. The Minister considers sterling as the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions. The financial statements are presented in sterling, which is the Fund's functional and presentation currency.

##### (b) Transactions and Balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

# Social Security Fund

## Notes to the Financial Statements for the year ended 31 December 2008

### 1. ACCOUNTING POLICIES (continued)

#### 1.3 Income

Income is accounted for on an accruals basis and includes the following categories:

(a) Contributions

Contributions represent payments made by employers, employees and the self employed.

Social Security contributions are set at the rate of 10.5% of earnings (Employees, 5.2%; Employers, 5.3%). The financial statements include an estimation in respect of the contributions from insured persons, employers and the States of Jersey for the year ended 31 December 2008.

(b) States' Contribution

States' contribution is the sum paid by the States of Jersey to supplement the contributions of individuals with monthly earnings between the lower earnings threshold (2008: £717 per month) and the upper earnings limit (2008: £3,394 per month), to ensure that an individual's contribution record is maintained resulting in full benefit and pension payments.

(c) Bank Interest Received

Interest income is accrued on a time basis, by reference to the principal outstanding and the interest rate.

(d) Other Income

Other income includes rental income which is received from sub-letting office space within the building.

(e) Net income/(deficit) from Social Security (Reserve) Fund

In accordance with the Social Security Law (Jersey) 1974, the net revenue income/(deficit) on the Social Security (Reserve) Fund is transferred to the Social Security Fund at the end of the financial year. Excess funds held by the Social Security Fund are transferred to the Social Security (Reserve) Fund.

#### 1.4 Benefits and administrative expenses

##### Benefits

Benefits are paid to claimants who qualify for a benefit within the Social Security (Jersey) Law 1974 and meet the required conditions.

Benefits are recognised during the period when they become due and consist of the following:

(a) Pensions

Pensions and survivors' benefits are paid to those claimants and their survivors who are entitled to receive a State pension based on the contributions made during their working lives.

(b) Short Term Incapacity Benefit

Short Term Incapacity Allowance is a daily benefit which is payable to claimants in receipt of a medical certificate who are unfit for work due to illness or injury and who meet certain contribution conditions.

(c) Long Term Incapacity Benefit

Long Term Incapacity Allowance is a weekly benefit, payable as a compensation for a loss of faculty. As with Short Term Incapacity Allowance certain contribution conditions must be met before payment is awarded.

(d) Grants and Allowances

These include payments for Maternity Grant and Maternity Allowance as well as grants paid on the death of a person who has contributed to the Social Security Scheme.

# Social Security Fund

## Notes to the Financial Statements for the year ended 31 December 2008

### 1. ACCOUNTING POLICIES (continued)

#### 1.4 Benefits and administrative expenses (continued)

##### Administrative Expenses

Administrative expenses are accounted for on an accruals basis, with the exception of bad debts which are accounted for as set out in paragraph 1.8, and consist of the following:

(a) Staff Costs

Staff costs include salaries, wages paid to staff and pension contributions.

(b) Other Administrative Expenses

Other administrative expenses include service costs, operating costs and bad debts.

#### 1.5 Tangible Fixed Assets

Tangible fixed assets are stated at cost less accumulated depreciation.

Depreciation has been provided on all tangible fixed assets, other than freehold land, so as to write off the cost of these assets less their estimated residual values, on a straight line basis over their expected useful economic lives. The principal useful lives used for this purpose are:

Buildings	50 years
Building Improvements	5 to 20 years
Fixtures & Fittings	5 years
Computer Development	8 years
Computer Network	3 years

The carrying values of tangible fixed assets are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable.

#### 1.6 Cash at Bank and in Hand

Cash at bank and in hand includes cash, demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

#### 1.7 Trade Debtors

Trade debtors are measured at initial recognition at fair value and reflect contributions and services provided for which income is due as at 31 December 2008 and benefits due in 2008 which are paid in 2009. Contributions outstanding at the 31 December 2008 represent contributions for the last quarter (October to December 2008), together with contributions due from earlier periods.

Outstanding contributions are estimated using historical data adjusted for any contributions received. The calculation also includes the balance of instalment arrangements outstanding and the value of the third quarter 2008 arrears due from successful civil court action along with an estimate for the last quarter 2008 civil court action.

#### 1.8 Bad Debts

Class 1 and Class 2 contributions are written off as follows:

Class 1: A write off is made when the employer cannot contribute on behalf of their employee by virtue of being declared en desastre or bankrupt.

# Social Security Fund

## Notes to the Financial Statements for the year ended 31 December 2008

### 1. ACCOUNTING POLICIES (continued)

#### 1.8 Bad Debts (continued)

Class 2: A write off is made when the individual has defaulted on an instalment arrangement and died.

An instalment arrangement is when the contributor has entered into a financial arrangement with the Department to reimburse outstanding contributions due from earlier periods.

A provision for bad debts is only made when an instalment is not received from a contributor.

Any bad debt write off is subject to Ministerial approval and apportioned between the Social Security Fund and the Health Insurance Fund.

#### 1.9 Provision for Liabilities and Charges

Provision is made in the financial statements in respect of obligations arising from past events where the predicted outcome of the event is considered probable and there is a reliable estimate of the amount of the liability.

#### 1.10 Funds Uncleared at Bank

The Fund does not have a facility for a bank overdraft. Funds uncleared at bank represent cheques issued not yet cashed on the benefit payment bank accounts. As the daily receipts are in excess of the cheques not yet cashed the bank accounts do not go overdrawn.

#### 1.11 Loans Payable

The Health Insurance Fund does not operate a bank account, other than fixed deposit accounts. Consequently all receipts and payments in relation to the Health Insurance Fund are made through nominated Social Security Fund bank accounts and then reallocated to the loan accounts as appropriate. The loan account is repayable on demand.

#### 1.12 Trade creditors

Trade creditors are measured at initial recognition at fair value.

#### 1.13 Taxation

The Fund is exempt from Jersey Income Tax by virtue of Article 131 of the Income Tax (Jersey) Law 1961.

### 2. FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Financial assets and financial liabilities are recognised on the Fund's balance sheet when the Fund becomes a party to the contractual provision of the instrument. A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. The Fund derecognises its financial assets when the contractual rights to the cash flows from the financial asset expire. The Fund derecognises its financial liabilities when the obligation specified in the contract is discharged, cancelled or expires.

#### (a) Classification

The financial assets are classified as 'loans and receivables'. The financial liabilities are classified as 'Other financial liabilities'.

#### (b) Trade Debtors

Trade debtors are measured at initial recognition at fair value.

#### (c) Cash at Bank

Cash at bank and in hand includes cash, demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

#### (d) Trade Creditor

Trade creditors are measured at initial recognition at fair value.

# Social Security Fund

## Notes to the Financial Statements for the year ended 31 December 2008

### 3. FINANCIAL RISK MANAGEMENT

The Fund's activities expose it to liquidity and credit risk. The Social Security Department undertakes periodic risk reviews which involve identifying key risks, scoring them and documenting their mitigation.

#### (a) Market Risk

No investments are held by the Fund. However, short-term bank deposits are held at fixed rates and therefore these are not subject to market price risk. These cash flows are primarily fixed in nature and are received from short-term highly liquid investments that are readily convertible and subject to an insignificant risk of changes in value.

#### (b) Credit Risk

The Fund's principal financial assets are trade debtors and bank balances.

The Fund's credit risk is primarily attributable to its trade debtors. The Fund's objectives for managing the risk are to ensure that the trade debtors are recovered promptly and that the cash at bank is secure. Where monies are not received within their payment terms they are referred to the Social Security Compliance Section for recovery. In these instances instalment arrangements are made for repayment of monies owed or court action progressed.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies with a minimum rating of 'A' only accepted.

#### (c) Liquidity Risk

The Fund's exposure to liquidity risk is low due to the volume of cash available to meet its short-term obligations. The Fund's objectives for managing the risk are to ensure that there are enough liquid resources to meet short-term liabilities.

Daily cash flow forecasts are undertaken and any liquidity risk identified as part of this process is addressed by managing the amounts placed on short-term deposit. The Fund manages its exposure to liquidity risk by monitoring the rolling forecast of the Fund's liquidity reserves on the basis of the expected cash in and out flows.

All liabilities are payable upon demand or in less than one year.

#### (d) Fair value interest rate Risk

The Fund receives income from its fixed bank deposits. These cash flows are primarily fixed in nature. As a result there is negligible risk to the Fund in terms of fair value interest rate risk.

### 4. STAFF COSTS

Remuneration directly associated with administering the Fund for the year ended 31 December, analysed by category is as follows:

	2008 £000	2007 £000
Directors	208	187
Other Employees	2,441	2,319
	<b>2,649</b>	2,506

At 31 December the Department's equivalent number of full time employees (FTE) is 142 (2007: 129).

# Social Security Fund

## Notes to the Financial Statements for the year ended 31 December 2008

### 4. STAFF COST (continued)

Details of the Department's employees for whom their total remuneration, including pension benefits and overtime payments exceeded £70,000 for the year ended 31 December are as follows:

Remuneration

	2008	2007
£70,000 to £89,999	5	4
£90,000 to £109,999	-	-
£110,000 to £129,999	1	1

The above costs include remuneration for the Social Security Fund, Health Insurance Fund and States of Jersey benefits – all of which are administered by the Social Security Department.

Staff costs include pension contributions, 2008: £312,122 (2007: £300,232) in respect of staff employed to administer the Fund who are members of the States of Jersey Public Employees' Contributory Retirement Scheme (PECRS). PECRS membership is compulsory for all States of Jersey permanent employees 20 years of age and over (excluding teachers).

Contributions made to the States of Jersey Public Employees' Contributory Retirement Scheme, are charged to revenue expenditure in the period they are incurred.

### 5. PENSION SCHEME

#### 5.1 Public Employees' Contributory Retirement Scheme (PECRS)

PECRS is open to all public sector employees (excluding teachers) over 20 years of age. Membership is obligatory for all employees on a permanent contract and therefore those paid from the Social Security Fund.

The Scheme is managed by a Committee of Management established by the States of Jersey which has five sub-committees to investigate and report on complex technical issues.

The last published actuarial valuation of the Scheme by Hewitt Associates Limited as at 31st December 2004, dated 13th March 2006, indicated that the Scheme had an actuarial deficiency of £17.4 million at the effective date of the valuation. As at 31st December 2008, PECRS had a market value of £924 million (2007: £1,107 million). The States of Jersey contribution to the Scheme in 2008 was £31.8 million (2007: £30.2 million).

The Actuaries concluded that this deficiency was temporary in nature and that it could be carried forward to the next Actuarial Valuation.

Since the Social Security Department is unable to readily identify its share of the underlying assets and liabilities of PECRS, under FRS17, contributions to the scheme will be accounted for as if they were contributions to a defined contribution scheme.

The latest draft actuarial valuation of the Scheme took place on 31 December 2007, and this year's FRS 17 disclosures are based on the results of this valuation.

PECRS is a final salary scheme but not a conventional defined benefit scheme as the employer is not responsible for meeting any ongoing deficiency in the scheme. As a result of that limitation on the States' responsibility as employer, the scheme deficit is disclosed but not recognised in the accounts of the States of Jersey.

# Social Security Fund

## Notes to the Financial Statements for the year ended 31 December 2008

### 5. PENSION SCHEME (continued)

#### 5.1 Public Employees' Contributory Retirement Scheme (PECRS) (continued)

The States of Jersey in agreeing P190/2005 on September 2005 have confirmed responsibility for the past service liability which arose from the restructuring of the PECRS arrangements with effect from 1 January 1988. This liability amounted to £226.1 million at 31 December 2008.

The provisions to address the past service liability include an increase in employers' contributions equivalent to 0.44% of members' salaries as from 1 January 2002, raising the employers' contribution rate to 15.6% of members' salaries. Of the employers' contribution rate of 15.6% of members' salaries, a sum initially equivalent to 2% of the employers' total pensionable payroll is paid into the Scheme to meet the pre-1987 past service liability. The remaining 13.6% of members' salaries continues to fund the current service liability.

Over 82 years (from 2002) the past service liability would thereby be repaid, at which point the employers' contribution rate would revert to 15.16% of members' salaries.

Copies of the latest Report and Accounts of the States of Jersey and the Public Employees' Contributory Retirement Scheme are available from the States' Greffe.

#### 5.2 Additional information required by FRS 17

PECRS is a final salary scheme but not a conventional defined benefit scheme as the employer is not responsible for meeting any ongoing deficiency in the scheme. As a result of that limitation on the States' responsibility as employer, the scheme deficit is disclosed but not recognised in the accounts.

The Actuarial Valuation of PECRS was carried out at 31 December 2007. This valuation has been updated by Actuaries to 31 December 2008 in accordance with FRS 17, based on current obligations.

The assumptions and methodology required under FRS 17 differ considerably from the approach that has been used by the Actuaries of PECRS in providing Actuarial Valuations, used for funding purposes. These differences in methodology combined with the time that has elapsed since the latest Actuarial Valuation mean that the FRS 17 results are different to the position revealed in the latest formal published Actuarial Valuation.

The results of up to date Actuarial Valuations, rather than the results of the FRS 17 disclosures below, will be used to determine the quantum of any adjustments that may be needed to the benefits and contributions of the Fund.

Information on the scheme is presented in the accounts, reflecting the cost of the scheme to the employer. As the scheme limits the liability to the Fund, scheme surpluses or deficits are only recorded to the extent that they belong to the Funds.

The major assumptions used for the FRS 17 actuarial assessments at 31 December are:

	2008 % pa	2007 % pa
Inflation	3.1	3.4
Rate of general long-term increase in salaries	4.4	4.7
Rate of increase to pensions in payment	3.1	3.4
Discount rate for scheme liabilities	6.0	5.8

# Social Security Fund

## Notes to the Financial Statements for the year ended 31 December 2008

### 5. PENSION SCHEME (continued)

#### 5.2 Additional information required by FRS 17 (continued)

The mortality assumptions used are based on the recent actual mortality experience of members within the PECRS and the assumptions also allow for future mortality improvements. The assumptions are that a member currently at the assumed retirement age of 63 will live on average for a further 23 years if they are male and for a further 25 years if they are female.

The following table reflects the financial position of PECRS, including all admitted bodies other than Jersey Telecom Group Limited and Jersey Post International Limited.

On the FRS 17 basis, the assets and liabilities of the scheme are:

	Long-term rate of return expected at 31 December 2008 (% p.a.)*	Value at 31 December 2008 £000	Long-term rate of return expected at 31 December 2007 (% p.a.)*	Value at 31 December 2007 £000
Equities	7.6	548,082	7.6	764,892
Property	6.6	17,561	6.6	14,370
Corporate Bonds	5.5	268,034	-	-
Cash/Other	2.5	90,577	5.9	326,074
Combined	6.8 <sup>#</sup>	924,254		1,105,336

Asset values for 2008 and 2007 are bid values

\* The expected return on assets by asset category is not a required FRS17 (Amended December 2006) disclosure item (only the total rate needs to be disclosed).

<sup>#</sup>The overall expected rate of return on scheme assets is a weighted average of the individual expected rates of return on each asset class.

#### Reconciliation of funded status to balance sheet

	Value at 31 December 2008 £000	Value at 31 December 2007 £000
Fair value of scheme assets	924,254	1,105,336
Present value of funded defined benefit obligations	(1,306,089)	(1,252,981)
Asset/(liability) as recognised on the balance sheet of PECRS	(381,835)	(147,645)

# Social Security Fund

## Notes to the Financial Statements for the year ended 31 December 2008

### 5. PENSION SCHEME (continued)

#### 5.2 Additional information required by FRS 17 (continued)

##### Analysis of profit and loss charge

	Year ending 31 December 2008 £000	Year ending 31 December 2007 £000
Current service cost	37,482	39,997
Interest cost	72,927	62,799
Expected return on scheme assets	(74,793)	(73,098)
Expense recognised in profit and loss	<b>35,616</b>	29,698

PECRS, whilst a final salary scheme, is not a conventional defined benefit scheme as the employer is not responsible for meeting any ongoing deficiency in the scheme. Employer contributions are charged to revenue expenditure in the year they are incurred. As this scheme limits the liability of the States as the employer, scheme surpluses or deficits are only recorded within the States' accounts to the extent that they belong to the States.

##### Changes to the present value of the defined benefit obligation during the year

	Year ending 31 December 2008 £000	Year ending 31 December 2007 £000
Opening defined benefit obligation	1,252,981	1,223,932
Current service cost	37,482	39,997
Interest cost	72,927	62,799
Contributions Paid	11,261	10,485
Actuarial Gain *	(29,422)	(48,945)
Net benefits paid out	(39,140)	(35,287)
Closing defined benefit obligation	<b>1,306,089</b>	1,252,981

\* Includes changes to the actuarial assumptions

##### Changes to the fair value of scheme assets during the year

	Year ending 31 December 2008 £000	Year ending 31 December 2007 £000
Opening fair value of scheme assets	1,105,336	1,040,843
Expected return on scheme assets	74,793	73,098
Actuarial gains/(losses) on scheme assets	(260,192)	(14,050)
Contributions by the employer	32,196	30,247
Contributions by scheme participants	11,261	10,485
Net benefits paid out	(39,140)	(35,287)
Closing fair value of scheme assets	<b>924,254</b>	1,105,336

# Social Security Fund

## Notes to the Financial Statements for the year ended 31 December 2008

### 5. PENSION SCHEME (continued)

#### 5.2 Additional information required by FRS 17 (continued)

##### Actual return on scheme assets

	Year ending 31 December 2008 £000	Year ending 31 December 2007 £000
Expected return on scheme assets	74,793	73,098
Actuarial gains/(losses) on scheme assets	(260,192)	(14,050)
Actual return on scheme assets	(185,399)	59,048

##### The analysis of amounts in the Statement of Total Recognised Gains and Losses (STRGL)

	Year ending 31 December 2008 £000	Year ending 31 December 2007 £000
Total actuarial gains/(losses)	(230,770)	34,895

##### History of asset values, defined benefit obligations and surplus/deficit in scheme

	Year ending 31 December 2008 £000	Year ending 31 December 2007 £000
Fair value of scheme assets	924,254	1,105,336
Defined benefit obligation	(1,306,089)	(1,252,981)
Surplus/(deficit) in scheme	(381,835)	(147,645)

##### History of experience gains and losses\*

	Year ending 31 December 2008 £000	Year ending 31 December 2007 £000
Experience gains/(losses) on scheme assets	(260,192)	(14,050)
Experience gains/(losses) on scheme liabilities*	(23,258)	2,833

\* This item consists of gains/(losses) in respect of liability experience only, and excludes any change in liabilities in respect of changes to the actuarial assumptions used.

# Social Security Fund

## Notes to the Financial Statements for the year ended 31 December 2008

### 6. SURPLUS OF INCOME OVER EXPENDITURE

Surplus of Income is stated after charging/(crediting):

	Notes	2008 £000	2007 £000
Auditors' fees		71	79
Depreciation	7	1,906	2,061
Rental income from third parties		(20)	(4)
Rental income from related parties		(100)	(95)

### 7. TANGIBLE FIXED ASSETS

	Land, buildings and improvements £000	Fixtures and fittings £000	Computer development and network £000	Total £000
<b>Cost</b>				
At 1 January 2008	8,995	65	12,736	21,796
Additions	43	–	–	43
Reductions	(95)	–	–	(95)
At 31 December 2008	8,943	65	12,736	21,744
<b>Accumulated depreciation</b>				
At 1 January 2008	2,887	65	6,534	9,486
Charge for the year	433	–	1,473	1,906
At 31 December 2008	3,320	65	8,007	11,392
<b>Net book value</b>				
<b>At 31 December 2008</b>	<b>5,623</b>	<b>–</b>	<b>4,729</b>	<b>10,352</b>
At 31 December 2007	6,108	–	6,202	12,310

Land situated at 28 to 32 La Motte Street, St Helier, Jersey has been purchased for the Social Security Fund with title to this property registered in the names of the "Attorney General and Greffier of the States on behalf of the Public of the Island".

In respect of the land & buildings, additions consisted of £43,000 for costs associated with the refurbishment of upper floors of Huguenot House and the extension of the ground floor front office of Philip Le Feuvre House. The reduction of £95,000 for land & buildings as above are due to a portion of the 2007 creditor for retention which was over and above the final settlement required.

During 2006, the property known as Huguenot House, which had previously been accounted for as Investment Property, was reclassified into Land and Buildings. This property was transferred at the current carrying value of £1.4 million which was deemed to be an appropriate cost. Depreciation is then charged on this deemed cost over the remaining useful life of the building.

# Social Security Fund

## Notes to the Financial Statements for the year ended 31 December 2008

### 8. DEBTORS

	2008 £000	2007 £000
Trade debtors:		
Contributors - individuals and employers	31,896	26,215
Health Insurance Fund	623	-
Beneficiaries paid in advance	6,548	6,653
Prepayments in respect of benefits paid and services provided as agent	2,391	2,012
Jersey Post - funds held for the payment of Pension Order books	197	205
Bank interest and other income	11	80
Amounts due from the Treasurer of the States in respect of supplementation, benefits paid and services provided as an agent	20	1,172
Goods and Services Tax	31	-
Other debtors	179	171
	<b>41,896</b>	36,508

Trade debtors include the following amounts 2008: £913,845 (2007: £105,000) due after more than one year.

The Minister considers that the carrying amount of the trade debtors approximates to their fair value.

Contributions are due from smaller organisations (less than 80 employees) and employers for the fourth quarter and are stated net of the write off of bad debts, 2008: £13,347 (2007: £17,472).

As at 31 December the Fund provided for a bad debt provision, 2008: £24,780 (2007: £123,396). This was made for those contributors and beneficiaries entering into an instalment agreement with the Department.

	2008 £000	2007 £000
Up to 3 months past due	1	27
3 to 6 months past due	-	3
6 to 12 months past due	-	15
Over 12 months past due	24	78
	<b>25</b>	123

The Fund considers that none of the above are impaired.

# Social Security Fund

## Notes to the Financial Statements for the year ended 31 December 2008

### 8. DEBTORS (continued)

As at 31 December, trade debtors of carrying value, 2008: £41.9 million (2007: £36.5 million) were past their due date but not impaired. The ageing is shown below:

	2008 £000	2007 £000
Up to 3 months past due	40,977	36,373
3 to 6 months past due	5	9
6 to 12 months past due	-	21
Over 12 months past due	914	105
	<b>41,896</b>	36,508

### 9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2008 £000	2007 £000
Funds uncleared at bank	2,442	3,419
Loan payable: Health Insurance Fund	-	6,219
Trade creditors:		
Amounts due to the Treasurer of the States in respect of benefits paid and services provided as an agent	2,562	2,144
Amounts payable to the Treasurer of the States in respect of benefits paid and services provided as an agent	20	66
Benefits payable	427	375
Capital expenditure	33	369
Other creditors	322	233
	<b>5,806</b>	12,825

The Minister considers that the carrying amount of the trade creditors approximates to their fair value.

The loan payable to the Health Insurance Fund is unsecured, interest free and repayable on demand.

# Social Security Fund

## Notes to the Financial Statements for the year ended 31 December 2008

### 9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR (continued)

#### Maturity of financial liabilities:

The maturity profile of the carrying amount of the Fund's liabilities, as at 31 December was as follows:

	Other financial liabilities £000	2008 £000	2007 £000
Up to 3 months past due	5,805	5,805	12,818
3 to 6 months past due	1	1	2
6 to 12 months past due	-	-	5
Over 12 months past due	-	-	32
	<b>5,806</b>	<b>5,806</b>	12,857

### 10. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2008 £000	2007 £000
Other creditors	-	32

### 11. REVALUATION RESERVES

This relates to the revaluation of Huguenot House, an investment property, in 2002 by professional valuers in accordance with the Royal Institute of Chartered Surveyors (RICS) appraisal and valuation manual (the 'red book'). During 2006, this property was vacated, allowing the Department to utilise the property for its own operations. The property is no longer an investment property under Statement of Standard Accounting Practice 19 and is recorded as an asset held for use for Departmental operations and depreciated accordingly. The investment property is included in the financial statements at the revalued amount and the surplus or deficit arising on revaluation is transferred to the Revaluation Reserve.

	2008 £000	2007 £000
As at 1 January and 31 December	719	719

# Social Security Fund

## Notes to the Financial Statements for the year ended 31 December 2008

### 12. REVENUE RESERVES

	2008 £000	2007 £000
As at 1 January	68,628	57,613
Transfer to Social Security (Reserve) Fund	(35,120)	(21,600)
Retained surplus for the year	36,399	32,615
<b>As at 31 December</b>	<b>69,907</b>	<b>68,628</b>

### 13. RELATED PARTY TRANSACTIONS

The Fund has the following commercial, arm's length relationships with the following companies which are strategic investments of the States:

(a) Jersey Post International Limited

The States of Jersey hold all the ordinary shares in Jersey Post International Limited which became incorporated on 1 July 2006.

The Fund pays Jersey Post Limited for the beneficiaries who hold a pension order book or cash open cheque benefit payments. For this service Jersey Post Limited receives an administration fee as noted in the table below.

(b) Jersey Telecom Group Limited

The States of Jersey hold all the ordinary shares and 9% cumulative preference shares in the Jersey Telecom Group Limited.

The Fund pays Jersey Telecom Limited for services relating to telecommunications as noted in the table below.

(c) Jersey Electricity Company Limited

The States of Jersey hold all the ordinary shares in the Jersey Electricity Company Limited which represents 62% of the Company's total share capital as at 31 December 2008.

The Fund pays Jersey Electricity Company Limited for the supply of heat, light and power.

(d) States of Jersey Treasury and Resources and other States Departments

The Fund also undertakes a number of transactions and joint undertakings with States of Jersey Treasury and Resources and other States Departments as noted in the table below.

Payments made in the year to 31 December to these related parties are shown below:

	2008 £000	2007 £000
Jersey Post International Limited	220	179
Jersey Telecom Group Limited	4	8
Jersey Electricity Company Limited	45	35
States of Jersey Treasury and Resources and other States Departments	238	155
	<b>507</b>	<b>377</b>

# Social Security Fund

## Notes to the Financial Statements for the year ended 31 December 2008

### 13. RELATED PARTY TRANSACTIONS (continued)

Management and control of the Fund resides with the Minister for Social Security. Ownership of the Fund resides with the contributors and beneficiaries on a mutual basis.

The Fund receives income (States' contribution) from the States of Jersey to supplement the contributions of earners who fall below the upper earnings limit but above the lower earnings threshold 2008: £61,842,397 (2007: £58,627,017).

Staff employed by the States of Jersey who administer the Social Security Fund are also involved with the administration of States Funded Benefits and services related to employment. Where this administration is undertaken on premises owned by the Fund, a rental charge for the use of the premises is levied to the States of Jersey 2008: £90,300 (2007: £85,300).

Related Party costs for the year ended 31 December are analysed below:

	2008 £000	2007 £000
States Funded Benefits	78,518	39,973
Services Related to Employment	2,678	2,507
	<b>81,196</b>	42,480

Full details of all States Funded benefits and services administered by the Social Security Department can be found in the States of Jersey "Financial Report and Accounts 2008". Copies of the report will be available from the States Greffe.

#### Related party balances at the year end:

	2008 £000	2007 £000
Amounts due to related parties:		
Treasurer of the States	2,582	2,238
Jersey Telecom Group Limited	-	3
Jersey Electricity Company Limited	-	3
Jersey Post International Limited	25	12
	<b>2,607</b>	2,256
Amounts due from related parties:		
Treasurer of the States	51	1,172
Jersey Post International Limited	197	205
	<b>248</b>	1,377

The Health Insurance Fund does not operate a bank account, other than fixed deposit accounts. Consequently all receipts and payments in relation to the Health Insurance Fund are made through nominated Social Security Fund bank accounts due to their relationship in respect of social security contributions and then reallocated to the loan accounts as appropriate.

During the year the Social Security Department made net payments from its bank accounts, of which the Social Security Fund is part, to the Health Insurance Fund, 2008: £6.730m (2007: £0.746m). At the year end the Health Insurance Fund owed, 2008: £0.624m (2007: was owed £6.219m).

# Social Security Fund

## Notes to the Financial Statements for the year ended 31 December 2008

### 13. RELATED PARTY TRANSACTIONS (continued)

The Social Security (Reserve) Fund is the investment vehicle by which contribution rate and ceiling changes are smoothed over time. The accounting officer of the Social Security (Reserve) Fund is the Treasurer of the States. Payments made in the year from the Fund were, 2008: £36.2m (2007: £21.6m); additionally the Social Security (Reserve) Fund appropriated from the Fund, 2008: £0.511m (2007: £5.983m to the Fund).

### 14. RECONCILIATION OF SURPLUS TO NET CASH FLOW

	2008 £000	2007 £000
Surplus of income over expenditure for the year	35,888	38,598
Net income appropriated from Social Security (Reserve) Fund		(5,983)
Net expenditure appropriated from Social Security (Reserve) Fund	511	-
Depreciation	1,906	2,061
Increase in debtors	(5,488)	(3,066)
Decrease in creditors	(5,707)	(1,250)
Bank interest	(1,878)	(1,513)
Rent	(120)	(99)
	<b>25,112</b>	<b>28,748</b>

### 15. ANALYSIS OF CHANGES IN NET FUNDS

	At 31 December 2007 £000	Cash Flows £000	At 31 December 2008 £000
Cash at bank	2,286	1,098	3,384
Funds uncleared at bank	(3,419)	977	(2,442)
	(1,133)	2,075	942
Liquid resources	31,100	(10,300)	20,800
<b>Net funds</b>	<b>29,967</b>	<b>(8,225)</b>	<b>21,742</b>

### 16. ULTIMATE CONTROLLING PARTY

Under the Social Security (Jersey) Law, 1974 the Minister of Social Security is the ultimate controlling party of the Fund. The Minister of Social Security is a member of the Council of Ministers of the States of Jersey and is responsible for safeguarding the assets of the Fund and for preparing the financial statements.



## Social Security (Reserve) Fund

### Statement of Total Return for the year ended 31 December 2008

	Notes	2008		2007	
		£000	£000	£000	£000
<b>Income</b>					
Net (losses)/gains on investments during the year	6		(109,746)		31,005
Investment income	7	2		8,007	
Bank interest	7	1		269	
<b>Expenditure</b>					
Investment management and custodian fees	8	(458)		(1,209)	
Irrecoverable withholding tax		–		(1,006)	
Other expenses		(56)		(78)	
Net Income			(511)		5,983
<b>Total return</b>			(110,257)		36,988
Appropriated from/(to) Social Security Fund		511		(5,983)	
Total (deficit)/return after appropriation to Social Security Fund			(109,746)		31,006

### Statement of changes in Net Assets for the year ended 31 December 2008

	Notes	2008	2007
		£000	£000
Net assets at the start of the year		641,684	583,348
Prior year adjustment (as explained in note 15)		–	(252)
<b>Net assets at the start of the year</b>		<b>641,684</b>	<b>583,096</b>
Change in net assets before appropriation to Social Security Fund		(110,257)	36,988
Funds received from Social Security Fund	13	35,120	21,600
<b>Net assets at the end of the year</b>		<b>566,547</b>	<b>641,684</b>

The notes on pages 43 to 55 form an integral part of these financial statements.

# Social Security (Reserve) Fund

## Portfolio Statement as at 31 December 2008

	Holding Units	Market Value 31-Dec-08 £000	Percentage of Total Net Assets %
<b>Unit Trust Bonds</b>			
Overseas bond index	12,317,450	30,217	5.33
All stock gilts index	7,798,387	29,110	5.14
		59,327	10.47
<b>Unit Trust Equities</b>			
UK equity index	44,792,353	223,041	39.37
North America equity	20,234,483	115,677	20.42
Europe equity index	13,186,922	84,495	14.91
Money market	40,817,096	49,163	8.68
Japan equity index	26,384,442	23,568	4.16
Asia Pacific (ex-Japan) development equity index	2,058,619	11,350	2.00
		<b>507,294</b>	<b>89.54</b>
Portfolio of Investments		566,621	100.01
Net Current Liabilities		(74)	(0.01)
<b>Net Assets</b>		<b>566,547</b>	<b>100.00</b>

Comparatives are not disclosed in accordance with the Statement of Recommended Practice - Financial Statements of Authorised Funds.

# Social Security (Reserve) Fund

## Balance Sheet as at 31 December 2008

	Notes	2008		2007	
		£000	£000	£000	£000
<b>Fixed Assets</b>					
Financial assets at fair value	9		566,621		641,365
<b>Current Assets</b>					
Account receivables	11	11		10	
Cash at bank		43		499	
		54		509	
<b>Account payables: amounts falling due within one year</b>	12	128		190	
<b>Net Current Assets/(Liabilities)</b>			(74)		319
Net Assets			566,547		641,684
Represented by:					
Net Assets attributable to the Fund			566,547		641,684

The notes on pages 43 to 55 form an integral part of these financial statements.

# Social Security (Reserve) Fund

## Summary of material portfolio changes for the year ended 31 December 2008

Major purchases Name	Holding Units	Cost £000
Legal & General N UK Equity Index	2,022,075	12,800
Legal & General N UK Equity Index	1,194,400	7,200
Legal & General N UK Equity Index	1,018,019	5,115
Legal & General N UK Equity Index	821,607	3,873
Legal & General N UK Equity Index	698,242	3,291
Legal & General Europe (Ex-UK) Equity Index	517,046	2,850
Legal & General N America Equity (Net US)	444,579	2,650
Legal & General N UK Equity Index	417,802	2,648
Legal & General N UK Equity Index	466,072	2,451
Legal & General Europe (Ex-UK) Equity Index	334,955	2,400
Legal & General Europe (Ex-UK) Equity Index	379,305	2,228
Legal & General Europe (Ex-UK) Equity Index	295,670	2,210
Legal & General N UK Equity Index	452,525	2,150
Legal & General N UK Equity Index	417,774	2,099
Legal & General N UK Equity Index	236,657	1,650
Legal & General Japan Equity (Net Wht)	2,140,204	1,573
Legal & General N UK Equity Index	223,594	1,428
Legal & General N UK Equity Index	283,638	1,425
Legal & General Overseas Bond Index	765,359	1,250
Legal & General N UK Equity Index	250,488	1,248
All other purchases		13,911
<b>Total purchases for the year</b>		<b>76,450</b>

The notes on pages 43 to 55 form an integral part of these financial statements.

# Social Security (Reserve) Fund

## Summary of material portfolio changes for the year ended 31 December 2008

Major sales Name	Holding Units	Proceeds £000
Legal & General 2151 PMC Money Market Fund	4,034,598	5,115
Legal & General Overseas Bond Index	1,816,057	3,873
Legal & General Japan Equity (Net Wht)	4,247,103	3,291
Legal & General Overseas Bond Index	1,600,570	2,650
Legal & General All Stocks Gilt Index	800,557	2,648
Legal & General Overseas Bond Index	1,335,868	2,451
Legal & General 2151 PMC Money Market Fund	1,757,759	2,228
Legal & General All Stocks Gilt Index	633,232	2,099
Legal & General Overseas Bond Index	1,035,320	1,650
Legal & General Overseas Bond Index	869,872	1,573
Legal & General All Stocks Gilt Index	431,650	1,428
Legal & General Overseas Bond Index	788,251	1,425
Legal & General 2151 PMC Money Market Fund	984,849	1,248
Legal & General Overseas Bond Index	729,895	1,163
Legal & General All Stocks Gilt Index	290,328	1,005
Legal & General 2151 PMC Money Market Fund	707,393	897
Legal & General All Stocks Gilt Index	232,339	805
Legal & General Overseas Bond Index	416,945	756
Legal & General Overseas Bond Index	399,749	733
Legal & General Overseas Bond Index	352,888	640
All other sales		3,770
<b>Total sales for the year</b>		<b>41,448</b>

The notes on pages 43 to 55 form an integral part of these financial statements.

# Social Security (Reserve) Fund

## Notes to the Financial Statements for the year ended 31 December 2008

### 1. GENERAL INTRODUCTION

#### Fund purpose

The number of recipients of a State pension as a percentage of the working population is expected to increase over time. The purpose of the Social Security Reserve Fund (the "Reserve Fund") is to build up a reserve for the future provision of pension benefits for those in employment so as to reduce the impact of pensions on future generations, as well as to smooth contributions for social security benefits over time. To achieve these objectives, the Reserve Fund's assets and liabilities comprise financial instruments held in accordance with its investment objectives and policies. These may include:

- Investments including equity and non-equity shares, fixed income securities and floating securities.
- Cash, liquid resources and short term debtors and creditors that arise directly from the investment activities.
- Hedging instruments such as forward exchange contracts and traded options which the Reserve Fund may enter into, for the purpose of managing the risks arising from the Reserve Fund's investment activities.

#### Strategy

Excess funds held in the Social Security Fund are transferred to the Reserve Fund for investment on a quarterly basis. A high income yield is not a requirement of the investment policy of the Reserve Fund. It is expected that there will be no requirement to draw on the assets of the Reserve Fund for at least a decade and during this period there will be net inflows to the Reserve Fund.

As the Reserve Fund is expected to be in a net inflow position for the next decade, a high proportion of the assets have been placed in return seeking investments in order to maximise the longer term size of the Reserve Fund. Since the Reserve Fund is effectively a buffer to deal with the longer term funding of pensions, there are no requirements for controlling volatility in asset values from year to year. This means that the need for risk reducing assets can be minimised.

#### Investment Objectives

The current investment objectives of the Reserve Fund are:

- to maintain the pooled Fund's asset distribution close to the benchmark and within the control ranges set out below:

	Actual %	Benchmark %	Ranges %
Total Equities	80.8	80.0	78.0 - 82.0
UK Equity Index	39.3	40.0	37.5 - 42.5
North America Equity Index	20.4	20.0	18.0 - 22.0
Europe Equity Index	14.9	14.0	12.5 - 15.5
Japan Equity Index	4.2	4.0	3.5 - 4.5
Asia Pacific Developed Equity Index	2.0	2.0	1.8 - 2.2
<b>Total Cash/Bonds</b>	<b>19.2</b>	<b>20.0</b>	<b>18.0 - 22.0</b>
All Stocks Index	5.1	5.0	4.5 - 5.5
Overseas Bond Index	5.3	5.0	4.5 - 5.5
Money Market	8.8	10.0	9.0 - 11.0
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	

The Reserve Fund's assets are managed by investing in the pooled funds.

The distribution of the investments within the Reserve Fund is maintained within its control ranges by the application of cash flows and where necessary, switches between the investment sector funds.

# Social Security (Reserve) Fund

## Notes to the Financial Statements for the year ended 31 December 2008

### 1. GENERAL INTRODUCTION (continued)

#### Investment Objectives (continued)

- (b) to track the total return of the relevant market index, within specified tolerances and after allowances for withholding tax where applicable, for each of the sector funds in which the Reserve Fund is invested.
- (c) for the Money Market fund, through judicious stock selection and credit premium analysis, to exceed the 3 month LIBID return by 0.2% per annum before deduction of fees.

#### Performance Management

The accounting officer of the Reserve Fund is the Treasurer of the States. The Reserve Fund is performance managed by the Treasury and Resources Department through a Committee chaired by the Minister for Treasury and Resources which is attended by the Minister for Social Security. Committee members meet quarterly (prior to November 2008 six - monthly) to oversee the performance of the Reserve Fund and are assisted by Hewitt Associates Limited, investment advisers.

The assets of the Reserve Fund are held with a global custodian, Northern Trust. The Northern Trust arrangements result in complete separation of the custody of the invested assets and the investment management arrangements providing comprehensive services for the Reserve Funds.

#### Fund Performance

Performance of the Reserve Fund prior to the 31 December 2008 is as follows:

	3 Months		12 Months	
	Fund %	Deviation %	Fund %	Deviation %
<b>Investment Sector</b>				
UK Equity Index	(10.0)	0.2	(29.8)	0.1
North America Equity Index	(4.2)	0.4	(13.2)	0.4
Europe Equity Index	(2.1)	0.1	(23.7)	0.5
Japan Equity Index	13.4	0.5	(0.4)	0.9
Asia Pacific Developed Equity Index	(4.5)	0.3	(30.7)	0.6
All Stocks Index	10.2	0.0	12.8	0.0
Overseas Bond Index	37.5	(0.2)	57.8	(0.3)
Money Market	(3.5)	(4.6)	(2.6)	(8.2)

Deviations are the difference between the benchmark and Fund returns which reflect the rules governing the rebalancing of the Fund and the accuracy of the tracking of the index funds.

### 2. ACCOUNTING POLICIES

#### 2.1 Basis of Preparation

The accounts are prepared under the historical cost convention, in accordance with UK GAAP, as modified by the revaluation of financial assets at fair value and in accordance with the Statement of Recommended Practice - Financial Statements of Authorised Funds issued by the Investment Management Association dated December 2005 (the "SORP"), so far as they are applicable to these accounts. In the absence of any detailed guidance on the required format of accounts we have referred to the UK Government's Financial Reporting Manual for Government entities. The Manual considers the question of accounting for specialised funds and requires that their presentation is agreed on a case by case basis with the relevant authority, which under the Social Security (Jersey) Law 1974 is the Minister for Social Security. The Minister considers that the format contained within these accounts is the most appropriate to the circumstances of the Reserve Fund.

# Social Security (Reserve) Fund

## Notes to the Financial Statements for the year ended 31 December 2008

### 2. ACCOUNTING POLICIES (continued)

#### 2.1 Basis of Preparation

The preparation of accounts in conformity with UK GAAP requires the use of certain critical accounting estimates. It also requires the Minister to exercise his judgement in the process of applying the Reserve Fund's accounting policies.

#### UK GAAP Disclosures

The Department has considered the disclosure requirements under UK GAAP and has adopted FRS26, 'Financial Instruments: Recognition and Measurement' and FRS29, 'Financial Instruments Disclosure'. FRS26 requires the investments to be carried using the bid price. FRS29 requires disclosure as to the nature and risks arising from financial instruments to which the Reserve Fund is exposed and how these are managed.

#### 2.2 Foreign currency translation

##### (a) Functional and presentation currency

The primary activity of the Reserve Fund is to invest in the pooled funds as set out in note 1 above to build up a reserve for the future provision of pension benefits for those currently in employment. The performance of the Reserve Fund is measured and reported to the Minister in sterling. The Minister considers sterling as the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions. The financial statements are presented in sterling, which is the Reserve Fund's functional and presentation currency.

##### (b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement. Translation differences on non-monetary financial assets and liabilities such as equities at fair value through profit or loss are recognised in the income statement within the fair value net gain or loss.

#### 2.3 Income

##### (a) Investment income

Investment income consists of income from fixed interest securities and dividends. Income from fixed interest securities and bank interest are accrued to the year end. Dividends from other quoted securities are accrued when the securities are quoted ex-dividend.

Investment income is reported net of attributable tax credits but gross of withholding taxes which are accrued in line with the associated investment income.

##### (b) Bank Interest Received

Interest income is accrued on a time basis, by reference to the principal outstanding and the interest rate.

#### 2.4 Accrued interest

Accrued interest is recognised initially at fair value.

# Social Security (Reserve) Fund

## Notes to the Financial Statements for the year ended 31 December 2008

### 2. ACCOUNTING POLICIES (continued)

#### 2.5 Investments

The investments of the Reserve Fund are held under a pooled fund policy. The scheme's assets are managed by investing in pooled funds with the objective to track the total return of the relevant market index (with the exception of the Money Market Fund). Switches between investment sector funds and application of cashflows are effected in accordance with the scheme benchmark. The terms of the policy allow the units within the portfolio "the investments" (as set out under note 9) to be realised on any dealing day through transfer of cash to the Reserve Fund or liquidated in whole and the surrender value returned in equities. The Minister has considered the substance of these investments and given the nature of the policy, considers it appropriate that these are recognised as an investment within the financial statements. Sales, purchases and switches in the units of the pooled fund have been disclosed within these accounts.

Sales and Purchases of investments are recognised on their trade date, the date on which the Reserve Fund commits to purchase or sell the investment. Purchases are recognised at the market value of the consideration received. Sales are recognised on the settlement date and proceeds are calculated using the market value of the investment on that date. The profit or loss of units sold is calculated based on the market value of the consideration on the trade date compared with the average cost of the units, which is calculated by aggregating the historic transactions within the pooled funds. Any profit or loss resulting from this transaction is recognised within the Statement of Total Return.

The valuation of the investment units held in the pooled funds is based on the closing bid market prices of the units as confirmed by valuations received from the investment manager. These valuations are based on the bid prices of the underlying investments held by the investment manager.

#### 2.6 Cash at Bank and in Hand

Cash at bank and in hand includes cash, demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

#### 2.7 Accrued expenses

Accrued expenses are initially measured at fair value.

#### 2.8 Expenses

(a) Investment management and custodian fees

Investment management and custodian fees include brokers commission, registration fees, stamp duties, security exchange fees and levies from regulatory agencies and commissions to advisers.

Costs due but not paid by the end of the financial year are accrued.

(b) Irrecoverable withholding tax

Irrecoverable withholding taxes from overseas dividends are reported separately as an expense.

(c) Other expenses

Other expenses include service and operating costs and consist of audit fees, custodian fees, recharges from the States of Jersey, Treasury & Resources Department and costs of exchange rate transfers.

# Social Security (Reserve) Fund

## Notes to the Financial Statements for the year ended 31 December 2008

### 2. ACCOUNTING POLICIES (continued)

#### 2.9 Taxation

The Reserve Fund is exempt from Jersey Income Tax by virtue of Article 131 of the Income Tax (Jersey) Law 1961.

#### 2.10 Cash flow statement

The Reserve Fund satisfies the criteria of an open ended investment fund and is therefore exempt from producing a cash flow statement as required by FRS 1, 'Cash flow statements (revised 1996)'.

### 3. FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Financial assets and financial liabilities are recognised on the Reserve Fund's balance sheet when the Reserve Fund becomes a party to the contractual provision of the instrument. A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. The Reserve Fund derecognises its financial assets when the contractual rights to the cash flows from the financial asset expire. The Reserve Fund derecognises its financial liabilities when the obligation specified in the contract is discharged or cancelled or expires.

#### Investments

##### (a) Classification

The Reserve Fund classifies its investments in equity securities as financial assets at fair value through profit or loss.

On adoption of FRS 26, the Treasury & Resources Minister has designated the financial assets at fair value through profit or loss at inception, as the portfolio is managed and its performance is evaluated on a fair value basis, in accordance with the Reserve Fund's documented investment strategy. The Reserve Fund's policy is for the Investment Manager and the Treasury & Resources Minister to evaluate the information and performance of these financial assets on a fair value basis together with other related financial information.

##### (b) Recognition

Purchases and sales of investments are recognised on the trade date, the date on which the Reserve Fund commits to purchase or sell the investment.

##### (c) Measurement

Financial assets and financial liabilities at fair value through profit or loss are initially recognised at fair value. Transaction costs are expensed in the income statement. Subsequent to initial recognition, all financial assets and financial liabilities at fair value through profit or loss are measured at fair value. Gains and losses arising from changes in the fair value of the 'financial assets or financial liabilities at fair value through profit or loss' category are presented in the income statement in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the income statement within investment income when the Reserve Fund's right to receive payments is established. Specifically, dividend income is accrued on securities when they are quoted ex-dividend.

# Social Security (Reserve) Fund

## Notes to the Financial Statements for the year ended 31 December 2008

### 3. FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

#### (d) Fair value estimation

The valuation of the investments in the pooled funds is based on the closing bid market prices of the units as confirmed by valuations received from the investment manager. These valuations are based on the bid prices of the underlying investments held by the investment manager in the pooled funds.

Transaction costs, being incremental costs that are directly attributable to the acquisition or disposal of an investment, are added to purchase costs and netted against sale proceeds as appropriate.

#### Other Assets and Liabilities

The Reserve Fund classifies its debtors and cash at bank as 'Loans and Receivables'. The financial liabilities are classified as 'Other financial liabilities'.

#### Accrued interest

Accrued interest is measured at initial recognition at fair value.

#### Cash at Bank

Cash at bank and in hand includes cash, demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

#### Accrued expenses

Accrued expenses are measured at initial recognition at fair value.

### 4. FINANCIAL RISK MANAGEMENT

#### Assessment of Risks

Risk needs to be assessed having regard to the nature of the assets held. During 2008, the assets consisted of bank deposits and a policy of assurance issued by Legal & General Assurance (Pensions Management) Limited. The surrender value of the policy of assurance is determined by the values of the unit funds held within the policy. The unit funds relate to various asset classes such as UK equities, North American equities and UK gilts. The surrender value of the policy is therefore influenced by similar factors as if the equities and bonds were held directly. In the risks below, the underlying assets of the assurance policy unit funds are reviewed, even though the Reserve Fund has no title to these underlying assets.

#### Financial Risk Factors

The Reserve Fund's activities expose it to a variety of financial risks: market risk (including currency risk; fair value interest rate risk; cash flow interest risk and price risk), credit risk and liquidity risk. The Reserve Fund's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Reserve Fund's financial performance.

Risk management is carried out by the Treasury and Resources Department through a Committee chaired by the Minister for Treasury and Resources which is attended by the Minister for Social Security. Committee members meet quarterly (prior to November 2008 bi-annually) to oversee the performance of the Reserve Fund and are assisted by Hewitt Associates Limited, investment advisers. The Committee identifies and evaluates financial risks in close co-operation with the Reserve Fund's operating units. The Committee provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk; interest rate risk; credit risk and investment of excess liquidity.

# Social Security (Reserve) Fund

## Notes to the Financial Statements for the year ended 31 December 2008

### 4. FINANCIAL RISK MANAGEMENT (continued)

#### Financial Risk Factors (continued)

Where assets are held directly, rather than through an assurance policy, the assets of the Reserve Fund are held with a global custodian, Northern Trust.

(a) Solvency Risk

Since most of the assets consist of a policy of assurance, the Committee monitors the solvency of the insurance company. The reserves of the insurer are a multiple of their statutory requirements and the Committee believes that the reserves of the insurer are at an acceptable level. The insurer is part of a large Group (Legal & General Group) which is quoted on the London Stock Exchange.

(b) Market Risk

Investments are principally equities, fixed interest securities and bank deposits. The value of these is not fixed (other than bank deposits) and may go down as well as up. This may be the result of a specific factor affecting the value of an individual stock or may be caused by general market factors (such as interest rates, government policy or the health of the underlying economy) which could affect the entire portfolio of a fund. The Reserve Fund Investment manager aims to invest the assets so as to move in line with market movements.

(i) Foreign exchange risk

The Reserve Fund purchases securities denominated in a currency other than sterling and hence takes a position in other currencies. A substantial portion of the financial assets of the Reserve Fund is denominated in currencies other than sterling with the effect that the balance sheet and total return can be significantly affected by currency movements. Foreign exchange exposure is taken for all non sterling assets and no hedging of currency was undertaken in 2008.

(ii) Fair value interest rate risk

The Reserve Fund receives income from its various investments and fixed bank deposit accounts. These cash flows are primarily fixed in nature. This is negligible risk to the Reserve Fund in terms of fair value interest rate risk. Investment income, which is received by the insurance company on the assets underlying the policy of assurance, is not specifically identified as income and increases the price of the unit funds.

(iii) Price risk

The Reserve Fund is exposed to equity securities price risk as a result of the investments held. To manage its price risk arising from investments in equity securities, it diversifies its portfolio.

The setting of the investment strategy has regard to the relative pricing of asset classes and the available investment opportunities. The relative prices of asset classes can vary substantially within each year and therefore the strategy has been designed to be flexible to adapt to changing market conditions. The investment in equities has been equally divided between UK and overseas equities in the Reserve Fund so as to not be too highly dependent on the UK economy.

There is no exposure to commodity price risk other than through the prices of equity securities.

(c) Credit risk

Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions. For banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted.

# Social Security (Reserve) Fund

## Notes to the Financial Statements for the year ended 31 December 2008

### 4. FINANCIAL RISK MANAGEMENT (continued)

#### Financial Risk Factors (continued)

##### (d) Liquidity risk

The Reserve Fund is a long term investor that does not require its assets to be readily available. Liquidity is not a key component of the investment strategy except that the holding of liquid assets enables changes in strategy to be made easily. Liquidity can be held within the policy of assurance as well as directly.

Prudent liquidity risk management includes maintaining sufficient cash to ensure future liabilities are met as and when required. Sufficient funds are transferred from the Social Security Fund on a quarterly basis to meet the investment management and custodian fees and any other expenses.

#### Sensitivity Analysis

The sensitivity of the assets of the Reserve Fund have been assessed in accordance with FRS 29 requirements and are those considered to be relevant to the portfolio.

##### (a) Market Risk

If the UK equity market increases in value by 1%, then the value of the total Reserve Fund will increase by 0.39%. If the North American Equity Market increases by 1% then the value of the Reserve Fund will increase by 0.2%. If the value of the European equity market indices increases by 1% then the Reserve Fund value will increase by 0.15%. If the Japanese equity market increases by 1% then the value of the Reserve Fund will increase by 0.04%. If the value of the Asian Pacific excluding Japan equity market Indices increase by 1% then the value of the Reserve Fund will increase by 0.02%.

If the value of the UK gilts market increases by 1% (as measured by the All Stocks Gilt Index) then the value of the Reserve Fund will increase by 0.05%. If the value of the overseas bond index increases by 1%, the value of the Reserve Fund will increase by 0.05%.

The Reserve Fund is also sensitive to changes in exchange rates. If there is a 1% increase in the value of the US dollar against sterling, then the value of the Fund will increase by approximately 0.24%. (For this calculation it is assumed that the North American equity markets and the Asian Pacific excluding Japan markets are all correlated with the US Dollar.) If the Euro appreciates in value by 1% against Sterling, then the value of the Reserve Fund will increase by 0.17% (for this calculation it is assumed that all European currencies are linked to the Euro). If the value of the Yen appreciates 1% against Sterling then the value of the Reserve Fund will increase by 0.06%.

##### (b) Credit risk

The Fund has no exposure to conventional corporate bonds and all its bond holdings are either in UK government or overseas government securities. There is therefore no non government credit risk within the bond assets.

8.8% of the assets consist of Legal & General Money Market Fund Units where there is exposure to non government short dated credit instruments including floating rate notes. Most of this credit risk relates to financial institutions.

##### (c) Liquidity risk

5.1% of the assets of the Reserve Fund consist of units in the Legal & General All Stocks Gilt Index Fund which has a maturity profile equal to that of the FTSE Actuaries UK Gilt All Stock Index. Since all the securities underlying this unit fund are highly marketable, the assets are readily realisable at the next weekly dealing date at a discount of less than 0.1% of the middle market price.

# Social Security (Reserve) Fund

## Notes to the Financial Statements for the year ended 31 December 2008

### 4. FINANCIAL RISK MANAGEMENT (continued)

#### Sensitivity Analysis (continued)

5.3% of the assets were invested in the Legal & General Overseas Bond Index Fund with a maturity profile equivalent to that of the JP Morgan Global (excluding UK) Traded Index. The underlying securities are also highly liquid and can be quickly realised at the next weekly dealing date for a discount of 0.1% of the mid market price. 8.8% of the assets are invested in the Legal & General Money Market Fund which can also be readily realised at the next weekly dealing date. The discount is larger than that of government bonds since the Fund contains short dated credit and floating rate notes. The discount from mid market price for a sale as at 31 December 2008 was 2.1%.

The remaining assets are invested in units linked to equity markets. Given this is a Reserve Fund where the inflows are greater than the outflows and with the situation expected to continue for a number of years, there is no requirement for all the assets to be highly liquid. Since more than 10% of the assets can be realised at short notice with only a tiny discount to the unit price, there is no need to have a detailed management plan for managing liquidity risk.

#### (d) Collateral and other credit enhancements

The Fund holds no collateral as security for any transaction. It also has not entered into any guarantees nor received the benefit of any guarantees except where such a guarantee is inherent in the construction of any financial security at the time it was quoted on the stock market.

None of the financial assets are either past due or impaired

### 5. CAPITAL RISK MANAGEMENT

The Reserve Fund's objectives when managing capital are to safeguard the Reserve Fund's ability to continue as a going concern in order to provide future benefits. The Minister considers that there is no credit risk as the Reserve Fund does not have any debt.

### 6. NET GAINS/(LOSSES) ON INVESTMENTS

	2008 £000	2007 £000
<b>The net gains/(losses) on investments during the year comprise:</b>		
Proceeds from sales of investments during the year	41,448	422,278
Original cost of investments sold during the year	(36,933)	(375,837)
Gains realised on investments sold during the year	4,515	46,441
Net appreciation thereon already recognised in earlier periods	(106,885)	(122,321)
Net realised depreciation for the year	(102,370)	(75,880)
Net unrealised appreciation/(depreciation) for the year	(7,376)	106,885
<b>Net gains/(losses) on investments</b>	<b>(109,746)</b>	<b>31,005</b>

# Social Security (Reserve) Fund

## Notes to the Financial Statements for the year ended 31 December 2008

### 7. INCOME

	2008 £000	2007 £000
UK dividends	-	4,912
Overseas dividends	2	3,092
Scrip dividends	-	3
Bank interest	1	269
<b>Total income</b>	<b>3</b>	<b>8,276</b>

### 8. INVESTMENT MANAGEMENT AND CUSTODIAN FEES

The Funds' investment managers are Legal and General. In August 2007, the agreement with Capital International was terminated.

Fees paid during the relevant year are detailed below:

	2008	2007
<b>Capital International (agreement terminated August 2007)</b>		
Global / Regional Equity Fee (incremental Annual Fee rate as a percentage of Market Value)		
On the first £17.5 million	0.700 of 1%	
£17.5 million to £35 million	0.550 of 1%	
£35 million to £175 million	0.425 of 1%	
Over £175 million	0.375 of 1%	
<b>Actual fees paid in the year</b>	<b>£0</b>	<b>£810,832</b>
<b>Legal and General ~ Unit Trusts (fees paid per annum)</b>		
UK Equity Index Fund	0.0525%	
North America Equity Index Fund	0.08%	
Japan Equity Index Fund	0.15%	
Europe (Ex-UK) Equity Index Fund	0.125%	
Asia Pacific (ex-Japan) Developed Equity Index Fund	0.20%	
All Stocks Gilts Index Fund	0.04%	
Overseas Bond Index fund	0.08%	
Cash Fund	0.075%	
<b>Actual fees paid in the year</b>	<b>£448,556</b>	<b>£320,965</b>
<b>The global custodian, The Northern Trust Corporation, is entitled to:</b>		
Base Charge per Investment Manager £1,000 per account per annum		
Asset Based Fees are charged at between 1 to 110 basis points		
A separate charge of £20 will be levied for clean payments in respect of third party fixed deposits and foreign exchange.		
Fixed fee chargeable at £3,000 per annum.		
<b>Actual fees paid in the year</b>	<b>£8,896</b>	<b>£76,967</b>
<b>Total actual fees paid in the year</b>	<b>£457,452</b>	<b>£1,208,764</b>

# Social Security (Reserve) Fund

## Notes to the Financial Statements for the year ended 31 December 2008

### 9. INVESTMENTS

Movements in the investments during the year are detailed below:

Unit Trusts	Value at 01-Jan-08 £000	Purchases at Cost £000	Proceeds of Sales £000	Changes in market value £000	Value at 31-Dec-08 £000
<b>Unit Trust Bonds</b>					
Global	33,975	1,250	0	(5,009)	<b>30,216</b>
United Kingdom	34,235	1,100	9,700	3,475	<b>29,110</b>
	68,210	2,350	9,700	(1,534)	<b>59,326</b>
<b>Unit Trust Equities</b>					
United Kingdom	316,467	49,107	9,852	(83,518)	<b>272,204</b>
Other Europe	92,324	13,800	0	(21,630)	<b>84,494</b>
North America	127,884	4,950	0	(17,157)	<b>115,677</b>
Japan	23,821	3,338	3,390	(200)	<b>23,569</b>
Pacific Basin, excluding Japan	12,659	2,905	18,506	14,293	<b>11,351</b>
	573,155	74,100	31,748	(108,212)	<b>507,295</b>
	641,365	76,450	41,448	(109,746)	<b>566,621</b>

As the Fund has invested in Unit Trusts and transaction costs are included in the bid/offer spread. Brokers Commission is not incurred. There has been no transaction costs incurred in respect of Registration Fees, Stamp Duties, Security Exchange Fees levies from Regulatory Agencies or Commissions to Advisers.

### 10. INVESTMENT TRANSACTIONS

Following a decision of the Performance Committee to re-organise the investment management arrangements and terminate Capital International's investment mandate, the Reserve Fund's assets were derecognised by Capital International Limited and L&G acquired a pooled fund policy in August 2007.

As the investments were classified as fair value through profit or loss, the movements have been recognised within the Statement of Total Return under "net gains/(losses) on investments during the year" in 2007.

# Social Security (Reserve) Fund

## Notes to the Financial Statements for the year ended 31 December 2008

### 11. ACCOUNT RECEIVABLES

	2008 £000	2007 £000
Accrued interest	11	10

The Minister considers that the carrying amount of the accrued interest approximates to its fair value and that no account receivables are impaired or past their due date.

The ageing of the account receivables is within 3 months.

### 12. ACCOUNT PAYABLES: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2008 £000	2007 £000
Administration charges	23	36
Management fees	105	154
	<b>128</b>	190

The Minister considers that the carrying amount of the accrued expenses approximates to their fair value.

All the Reserve Fund's liabilities are 'other financial liabilities' and are payable in less than one year and given their nature a maturity analysis is not considered to be necessary.

### 13. TRANSFERS FROM THE SOCIAL SECURITY FUND

	2008 £000	2007 £000
Total funds transferred from Social Security Fund during the year	<b>35,120</b>	21,600

In accordance with the Social Security Law (Jersey) 1974, the net revenue return on the Social Security (Reserve) Fund is transferred from the Social Security Fund at the end of the financial year. Excess funds held by the Social Security Fund are transferred to the Social Security (Reserve) Fund and credited to the Accumulated Surplus.

### 14. RELATED PARTY TRANSACTIONS

The Treasurer of the States of Jersey is the Accounting Officer of the Social Security (Reserve) Fund and the Financial Statements are completed by the Treasury & Resources Department.

During the year, an amount of, 2008: £24,942 (2007: £12,530) was paid from the Reserve Fund to the Treasury Department in respect of the services provided.

No other related party transactions existed.

# Social Security (Reserve) Fund

## Notes to the Financial Statements for the year ended 31 December 2008

### 15. RESTATEMENT OF COMPARATIVES

During 2007, the financial statements were restated due to a change in accounting policy relating to financial instruments. Previously the Fund did not account for its financial investments in accordance with FRS 26: Financial instruments: recognition and measurement.

### 16. POST BALANCE SHEET EVENTS

In accordance with FRS 21, the Minister is required to disclose non-adjusting events that are indicative of conditions that have arisen after the balance sheet date. The market value of the Reserve Fund investments at 31 December 2008 stood at £566,619,707 (refer note 9). Since that date, there have been further deposits into the pooled investments of £15,000,000. As at 30 June 2009, the market value of these investments stood at £556,774,834 which reflects the continued turbulence in the world financial markets.

### 17. ULTIMATE CONTROLLING PARTY

The Treasurer of the States is the Accounting Officer of the Reserve Fund. The Reserve Fund is performance managed by the Treasury and Resources Department through a committee chaired by the Minister for Treasury and Resources of which the Minister of Social Security is a member. Under the Social Security (Jersey) Law 1974, the Minister of Social Security is responsible for reporting the financial statements of the Reserve Fund.



# Health Insurance Fund

## The funding principles of the Health Insurance Fund

The Health Insurance Fund is financed on the "Pay-as-you-go" basis, with the expenditure on benefits and administration being met from current income.

Under the Health Insurance Exception Scheme, persons of limited means who are not potentially employable may be eligible to receive medical services from general medical practitioners and medicines without charge. These arrangements apply only to people who are born locally or have resided in the island for at least five consecutive years. The Scheme ended on 27 January 2008 and became part of Income Support benefit.

Independent actuarial reviews of the scheme are undertaken every five years, the latest report being as at 31st December 2002. The next report will be for the period to 31st December 2007.

This report for 2002 concluded-

- The financial position of the Fund remains sound
- The current financial objective set for the Fund is that it should represent at least one year's expenditure
- As the population ages, benefit expenditure will increase relative to contribution income

The Fund has shown a continued improvement in its financial position, reflecting the fact that contribution income has grown more strongly than benefit expenditure. Based on the assumptions in the report, the balance in the Fund is projected to continue to grow, reaching a peak in 2012 equivalent to nearly 2 1/2 years' expenditure (excluding that financed by the States' vote). At 31st December 2008 the Fund represented over three years benefit expenditure based on current expenditure levels. However, each year the scheme spends up to approximately three quarters of the money it collects, and any significant changes in the parameters of the scheme would result in a substantially different financial picture, along with a rapid impact on contribution levels.

Copies of the latest actuarial report are available from the States' Greffe.

# Health Insurance Fund

## Statement of the responsibilities of the Social Security Minister of the States of Jersey in respect of the Financial Statements

The Health Insurance (Jersey) Law 1967 requires that financial statements of the Health Insurance Fund shall be prepared in such form, manner and at such times as the Social Security Minister may determine. The Minister is responsible for preparing the financial statements.

In preparing the financial statements the Minister is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable United Kingdom accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on a going concern basis unless it is inappropriate .

The Minister is responsible for keeping proper accounting records which disclose with reasonable accuracy, at any time, the financial position of the Fund.

The Minister is responsible for safeguarding the assets of the Funds and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Annual Report is available as a publication and on a website maintained by the States of Jersey. The maintenance and integrity of the website is the responsibility of the States of Jersey. The work carried out by the auditors does not involve consideration of the maintenance and integrity of this website and accordingly, the auditors accept no responsibility for any changes that have occurred to the Annual Report since they were initially presented on the website. Visitors to the website need to be aware that legislation in Jersey governing the preparation and dissemination of financial statements may differ from legislation in their own jurisdiction.

# Health Insurance Fund

## Independent Auditor's Report to the Minister for Social Security

I have audited the financial statements of the Health Insurance Fund which comprise the income and expenditure account, the balance sheet, the cash flow statement and related notes. These financial statements have been prepared under the accounting policies set out therein.

### Respective responsibilities of the Minister and auditors

As described in the Statement of the Minister's Responsibilities, the Minister is responsible for the preparation of the financial statements in accordance with applicable Jersey law and United Kingdom Accounting Standards.

My responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the Minister in accordance with the Health Insurance (Jersey) Law 1967 and for no other purpose. I do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by my prior consent in writing.

I report to you my opinion as to whether the financial statements give a true and fair view and have been properly prepared in accordance with the Health Insurance (Jersey) Law 1967. I also report to you if, in my opinion, the Minister's Report is not consistent with the financial statements, if the Department has not kept proper accounting records, or if I have not received all the information and explanations I require for the audit.

I have read the other information contained in the Annual Report and consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the Minister's Report and the statistical appendices.

### Basis of audit opinion

I have conducted my audit in accordance with the International Standard on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Minister in the preparation of financial statements, and of whether the accounting policies are appropriate to the funds' circumstances, consistently applied and adequately disclosed.

I planned and performed the audit so as to obtain all the information and explanations which I consider necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements.

### Opinion

In my opinion the financial statements give a true and fair view, in accordance with United Kingdom Accounting Standards, of the state of the Funds' affairs as at 31 December 2008 and of their transactions and cash flow for the year then ended and have been properly prepared in accordance with the Health Insurance (Jersey) Law 1967.



C Swinson OBE  
Comptroller and Auditor General  
Morier House, Halkett Place, St Helier, JE1 1DD  
6 November 2009

# Health Insurance Fund

## Income and Expenditure Account for the year ended 31 December 2008

	Notes	2008		2007	
		£000	£000	£000	£000
<b>INCOME</b>	1				
Contributions			27,549		25,507
States contribution			125		1,276
Bank interest			3,138		2,986
Pharmaceutical discounts			158		149
			<b>30,970</b>		29,918
<b>EXPENDITURE</b>	1				
Benefits					
Medical		5,321		5,216	
Pharmaceutical		15,379		9,681	
			<b>20,700</b>		14,897
<b>Health Insurance Exceptions</b>					
Medical		83		1,135	
Pharmaceutical		229		2,054	
			<b>312</b>		3,189
<b>Gluten free food vouchers</b>			142		124
			<b>21,154</b>		18,210
<b>Administration Expenses</b>					
Staff costs	4	517		452	
Other administrative expenses		636		599	
			<b>1,153</b>		1,051
			<b>22,307</b>		19,261
<b>Surplus of income over expenditure for the year</b>			<b>8,663</b>		10,657

### Statement of Total Recognised Gains and Losses

There are no recognised gains and losses other than the profit for the year. A separate statement of total recognised gains and losses has therefore not been prepared.

### Continuing Operations

All of the fund's income and expenditure is derived from continuing activities. The Health Insurance Exceptions scheme ended on 27 January 2008 and became part of Income Support benefit.

### Note of Historical Cost Profit and Losses

There are no material differences between the surplus of income over expenditure for the year and the retained surplus for the year stated above and the historical cost equivalents.

The notes on pages 63 to 76 form an integral part of these financial statements.

# Health Insurance Fund

## Balance Sheet as at 31 December 2008

	Notes	2008		2007	
		£000	£000	£000	£000
<b>Fixed assets</b>					
Debtors: amounts falling due after more than one year	6		211		15
<b>Current assets</b>					
Debtors	6	6,128		11,505	
Cash at bank and in hand		68,000		53,000	
		<b>74,128</b>		<b>64,505</b>	
<b>Creditors: amounts falling due within one year</b>					
Net current assets	7	2,241	71,887	1,085	63,420
<b>Net Assets</b>			<b>72,098</b>		<b>63,435</b>
<b>Funds Employed</b>					
Revenue Reserves	8		72,098		63,435

The financial statements on pages 60 to 76 were approved by the Social Security Minister, Deputy I. J. Gorst on 6 November 2009.



Deputy I. J. Gorst

The notes on pages 63 to 76 form an integral part of these financial statements.

# Health Insurance Fund

## Cash Flow Statement as at 31st December 2008

	Notes	2008 £000	2007 £000
<b>Operating Activities</b>			
Net cash inflow from operating activities	10	15,000	10,000
<b>Management of Liquid Resources</b>			
Increase in money held on deposit		(15,000)	(10,000)
<b>(Decrease)/increase in cash in year</b>		<b>-</b>	<b>-</b>

### Reconciliation of net cash flow to movement in net funds

		2008 £000	2007 £000
Cash used to increase liquid resources		15,000	10,000
Change in Net Funds	11	15,000	10,000
Net Funds at 1 January		53,000	43,000
Net Funds at 31 December		68,000	53,000

The notes on pages 63 to 76 form an integral part of these financial statements.

# Health Insurance Fund

## Notes to the Financial Statements for the year ended 31 December 2008

### 1. ACCOUNTING POLICIES

#### 1.1 Basis of Preparation

The financial statements are prepared under the historical cost convention, in accordance with UK GAAP, so far as it is applicable to these financial statements. In the absence of any detailed guidance on the required format of financial statements the Minister for Social Security has determined the appropriate format of the accounts. The Reporting Manual for Government entities considers the question of accounting for specialised funds and requires that their presentation is agreed on a case by case basis with the relevant authority, which under the Health Insurance (Jersey) Law 1967 is the Minister for Social Security. The Minister considers that the format contained within these financial statements is the most appropriate to the circumstances of the Health Insurance Fund (the "Health Fund").

The preparation of financial statements in conformity with UK GAAP requires the use of certain critical accounting estimates. It also requires the Minister to exercise his judgement in the process of applying the Health Fund's accounting policies.

A summary of the more important policies are set out below together with an explanation of any changes which have been made to previous policies on adoption of new accounting standards.

#### UK GAAP Disclosures

The Department has considered the disclosure requirements under UK GAAP and has adopted FRS26, 'Financial Instruments: Recognition and Measurement' and FRS 29, 'Financial Instruments Disclosure'. FRS26 requires that any investments (including those within Cash at Bank and in Hand) are carried using the bid price. FRS29 requires disclosure as to the nature and risks arising from financial instruments to which the Health Fund is exposed and how these are managed.

#### 1.2 Foreign Currency

##### (a) Functional and Presentation Currency

The performance of the Health Fund is measured and reported to the Department in sterling. The Minister considers sterling as the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions. The financial statements are presented in sterling, which is the Health Fund's functional and presentation currency

##### (b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

#### 1.3 Income

Income is accounted for on an accruals basis and includes the following categories:

##### (a) Contributions

Contributions represent the income received from payments made by employers, employees and self-employed.

Health Insurance contributions are set at the rate of 2% of earnings (Employees, 0.8%; Employers, 1.2%). The financial statements include an estimation in respect of the contributions from insured persons and employers for the year ended 31 December 2008.

# Health Insurance Fund

## Notes to the Financial Statements for the year ended 31 December 2008

### 1. ACCOUNTING POLICIES (continued)

#### 1.3 Income (continued)

(b) States' Contribution (to Health Insurance Exceptions)

A proportion of Health Insurance Exception (HIE) costs, was 60% is paid from contributions and the remaining 40% is paid from a States of Jersey vote. This scheme provides those on low income and not normally in employment with free medical treatment.

Health Insurance Exceptions ceased on 27 January 2008, following the introduction of Income Support.

(c) Bank Interest Received

Interest income is accrued on a time basis, by reference to the principal outstanding and the interest rate.

(d) Pharmaceutical Discounts

The Department has a contract with drug supplier, Nycomed Ltd, who provide a discount of 1.5% based on the level of drug expenditure.

#### 1.4 Benefits

Benefits are paid to claimants who qualify for a benefit within the Health Insurance (Jersey) Law 1967 and meet the required conditions. Benefits are recognised during the period when they become due and consist of the following:

(a) Medical

These are payments claimed by General Practitioners for visits or medical services provided.

(b) Pharmaceutical

These are payments claimed by Pharmacists for the full cost of the prescription drugs supplied.

#### 1.5 Health Insurance Exceptions

These are payments made from the Health Fund to those claimants who qualify for free medical treatment and medicines.

On 27 January 2008 Health Insurance Exceptions ceased as a result of the introduction of Income Support.

#### 1.6 Gluten Free Food Vouchers

These are payments made to those eligible to receive a subsidy to buy gluten-free food because of a medical condition which needs a gluten free diet.

#### 1.7 Administrative Expenses

Administrative expenses are accounted for on an accruals basis, with the exception of bad debts which are accounted for as set out in paragraph 1.10, and consist of the following:

(a) Staff Costs

Staff costs include salaries, wages paid to staff and pension contributions.

(b) Other Administrative Expenses

Other administrative expenses include service costs, operating costs and bad debts.

#### 1.8 Cash at Bank and in Hand

Cash at bank and in hand includes cash, demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

# Health Insurance Fund

## Notes to the Financial Statements for the year ended 31 December 2008

### 1. ACCOUNTING POLICIES (continued)

#### 1.9 Trade Debtors

Trade debtors are measured at initial recognition at fair value and reflect contributions and services provided for which income is due as at 31 December 2008 and benefits due in 2008 which are paid in 2009. Contributions outstanding at the 31 December 2008 represent contributions for the last quarter (October to December 2008), together with contributions due from earlier periods.

Outstanding contributions are estimated using historical data adjusted for any contributions received. The calculation also includes the balance of instalment arrangements outstanding and the value of the third quarter 2008 arrears due from successful civil court action along with an estimate for the last quarter 2008 civil court action.

#### 1.10 Bad debts

Class 1 and Class 2 contributions are written off as follows:

Class 1: A write off is made when the employer cannot contribute on behalf of their employee by virtue of being declared en desastre or bankrupt.

Class 2: A write off is made when the individual has defaulted on an instalment arrangement and died.

An instalment arrangement is when the contributor has entered into a financial arrangement with the Department to reimburse outstanding contributions due from earlier periods.

A provision for bad debts is only made when an instalment is not received from a contributor.

Any bad debt write off is subject to Ministerial approval and apportioned between the Social Security Fund and the Health Fund.

#### 1.11 Provision for Liabilities and Charges

Provision is made in the accounts in respect of obligations arising from past events where the predicted outcome of the event is considered probable and there is a reliable estimate of the amount of the liability.

#### 1.12 Loans Receivable

The Health Fund does not operate a bank account, other than fixed deposit accounts. Consequently all receipts and payments in relation to the Health Fund are made through nominated Social Security Fund bank accounts and then reallocated to the loan account as appropriate. The loan account is repayable on demand.

#### 1.13 Trade Creditors

Trade creditors are measured at initial recognition at fair value.

#### 1.14 Taxation

The Health Fund is exempt from Jersey Income Tax by virtue of Article 131 of the Income Tax (Jersey) Law 1961.

### 2. FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Financial assets and financial liabilities are recognised on the Health Fund's balance sheet when the Health Fund becomes a party to the contractual provision of the instrument. A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. The Health Fund derecognises its financial assets when the contractual rights to the cash flows from the financial asset expire. The Health Fund derecognises its financial liabilities when the obligation specified in the contract is discharged, cancelled or expires.

# Health Insurance Fund

## Notes to the Financial Statements for the year ended 31 December 2008

### 2. FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

The financial assets are classified as 'loans and receivables'. The financial liabilities are classified as 'Other financial liabilities'.

#### Trade Debtors

Trade debtors are measured at initial recognition at fair value.

#### Cash at Bank

Cash at bank and in hand includes cash, demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

#### Trade Creditors

Trade creditors are measured at initial recognition at fair value.

### 3. FINANCIAL RISK MANAGEMENT

The Health Fund's activities expose it to liquidity and credit risk. The Social Security Department undertakes periodic risk reviews which involve identifying key risks, through scoring them and reviewing how they are mitigated.

#### (a) Market Price Risk

No investments are held by the Health Fund. However, short-term bank deposits are held at fixed rates and therefore these are not subject to market price risk. These cash flows are primarily fixed in nature and are received from short-term highly liquid investments that are readily convertible and subject to an insignificant risk of changes in value.

#### (b) Credit Risk

The Health Fund's principal financial assets are trade debtors and bank balances.

The Health Fund's credit risk is primarily attributable from its trade debtors. The Health Fund's objectives for managing the risk are to ensure that the trade debtors are recovered on a timely basis and that the cash at bank is secure. Where monies are not received within their payment terms they are referred to the Social Security Compliance Section for recovery. In these instances instalment arrangements are made for repayment of monies owed or court action progressed.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies with a minimum rating of 'A' only accepted.

#### (c) Liquidity Risk

The Health Fund's exposure to liquidity risk is low due to the volume of cash available to meet its short-term obligations. The Health Fund's objectives for managing the risk are to ensure that there are enough liquid resources to meet short-term liabilities.

Daily cash flow forecasts are undertaken and any liquidity risk identified as part of this process is addressed by managing the amounts placed on short-term deposit. The Health Fund manages its exposure to liquidity risk by monitoring the rolling forecast of the Health Fund's liquidity reserves on the basis of the expected cash in and out flows.

#### (d) Fair value interest rate Risk

The Health Fund receives income from its fixed bank deposits. These cash flows are primarily fixed in nature. As a result there is negligible risk to the Fund in terms of fair value interest rate risk.

All liabilities are payable upon demand or in less than one year.

# Health Insurance Fund

## Notes to the Financial Statements for the year ended 31 December 2008

### 3. FINANCIAL RISK MANAGEMENT (continued)

#### (e) Cash Risk

Surplus funds are not held as investments but in short-term deposits at fixed rates with banks holding a minimum rating of 'A' only accepted. As a consequence, the Fund is at risk of being exposed to the potential 'opportunity cost' of not investing these surplus funds elsewhere. Independent professional advice is sought to mitigate the exposure to this risk by ensuring relevant, alternative investment opportunities are considered and the most appropriate adopted for the Fund.

### 4. STAFF COSTS

Remuneration directly associated with administering the Health Fund for the year ended 31 December, analysed by category is as follows:

	2008 £000	2007 £000
Directors	62	62
Other Employees	455	390
	<b>517</b>	452

The above costs relate to a Departmental charge to the Health Fund. During the year ending 31 December 2008, the Fund had no direct employees.

At 31 December the Department's number of equivalent full time number (FTE) of employees is 142 (2007: 129).

Details of the Department's employees for whom their total remuneration, including pension benefits and overtime payments exceeded £70,000 for the year ended 31 December are as follows:

Remuneration	2008	2007
£70,000 to £89,999	5	4
£90,000 to £109,999	-	-
£110,000 to £129,999	1	1

The above costs include remuneration for the Social Security Fund, Health Insurance Fund and States of Jersey benefits - all of which are administered by the Social Security Department.

Staff costs include pension contributions, 2008: £57,477 (2007: £53,949) in respect of staff employed to administer the Health Fund who are members of the States of Jersey Public Employees' Contributory Retirement Scheme (PECRS). PECRS membership is compulsory for all States of Jersey permanent employees 20 years of age and over.

Contributions made to the States of Jersey Public Employees' Contributory Retirement Scheme, are charged to revenue expenditure in the period they are incurred.

### 5. PENSION SCHEME

#### 5.1 Public Employees' Contributory Retirement Scheme (PECRS)

PECRS is open to all public sector employees (excluding teachers) over 20 years of age. Membership is obligatory for all employees on a permanent contract and therefore those paid from the Health Insurance Fund.

# Health Insurance Fund

## Notes to the Financial Statements for the year ended 31 December 2008

### 5. PENSION SCHEME (continued)

#### 5.1 Public Employees' Contributory Retirement Scheme (PECRS) (continued)

The Scheme is managed by a Committee of Management established by the States of Jersey which has five sub-committees to investigate and report on complex technical issues.

The last published actuarial valuation of the Scheme by Hewitt Associates Limited as at 31st December 2004, dated 13th March 2006, indicated that the Scheme had an actuarial deficiency of £17.4 million at the effective date of the valuation. As at 31st December 2008, PECRS had a market value of £924 million (2007: £1,107 million). The States of Jersey contribution to the Scheme in 2008 was £31.8 million (2007: £30.2 million).

The Actuaries concluded that this deficiency was temporary in nature and that it could be carried forward to the next Actuarial Valuation.

Since the Social Security Department is unable to readily identify its share of the underlying assets and liabilities of PECRS, under FRS17, contributions to the scheme will be accounted for as if they were contributions to a defined contribution scheme.

The latest draft actuarial valuation of the Scheme took place on 31 December 2007, and this year's FRS 17 disclosures are based on the results of this valuation.

PECRS is a final salary scheme but not a conventional defined benefit scheme as the employer is not responsible for meeting any ongoing deficiency in the scheme. As a result of that limitation on the States' responsibility as employer, the scheme deficit is disclosed but not recognised in the accounts of the States of Jersey.

The States of Jersey in agreeing P190/2005 on September 2005 have confirmed responsibility for the past service liability which arose from the restructuring of the PECRS arrangements with effect from 1 January 1988. This liability amounted to £226.1 million at 31 December 2008.

The provisions to address the past service liability include an increase in employers' contributions equivalent to 0.44% of members' salaries as from 1 January 2002, raising the employers' contribution rate to 15.6% of members' salaries. Of the employers' contribution rate of 15.6% of members' salaries, a sum initially equivalent to 2% of the employers' total pensionable payroll is paid into the Scheme to meet the pre-1987 past service liability. The remaining 13.6% of members' salaries continues to fund the current service liability.

Over 82 years (from 2002) the past service liability would thereby be repaid, at which point the employers' contribution rate would revert to 15.16% of members' salaries.

Copies of the latest Report and Accounts of the States of Jersey and the Public Employees' Contributory Retirement Scheme are available from the States' Greffe.

#### 5.2 Additional information required by FRS 17

PECRS is a final salary scheme but not a conventional defined benefit scheme as the employer is not responsible for meeting any ongoing deficiency in the scheme. As a result of that limitation on the States' responsibility as employer, the scheme deficit is disclosed but not recognised in the accounts.

The Actuarial Valuation of PECRS was carried out at 31 December 2007. This valuation has been updated by Actuaries to 31 December 2008 in accordance with FRS 17, based on current obligations.

# Health Insurance Fund

## Notes to the Financial Statements for the year ended 31 December 2008

### 5. PENSION SCHEME (continued)

#### 5.2 Additional information required by FRS 17 (continued)

The assumptions and methodology required under FRS 17 differ considerably from the approach that has been used by the Actuaries of PECS in providing Actuarial Valuations, used for funding purposes. These differences in methodology combined with the time that has elapsed since the latest Actuarial Valuation mean that the FRS 17 results are different to the position revealed in the latest formal published Actuarial Valuation.

The results of up to date Actuarial Valuations, rather than the results of the FRS 17 disclosures below, will be used to determine the quantum of any adjustments that may be needed to the benefits and contributions of the Fund.

Information on the scheme is presented in the accounts, reflecting the cost of the scheme to the employer. As the scheme limits the liability to the Fund, scheme surpluses or deficits are only recorded to the extent that they belong to the Funds.

The major assumptions used for the FRS 17 actuarial assessments at 31 December are:

	2008 % pa	2007 % pa
Inflation	3.1	3.4
Rate of general long-term increase in salaries	4.4	4.7
Rate of increase to pensions in payment	3.1	3.4
Discount rate for scheme liabilities	6.0	5.8

The mortality assumptions used are based on the recent actual mortality experience of members within the PECS and the assumptions also allow for future mortality improvements. The assumptions are that a member currently at the assumed retirement age of 63 will live on average for a further 23 years if they are male and for a further 25 years if they are female.

The following table reflects the financial position of PECS, including all admitted bodies other than Jersey Telecom Group Limited and Jersey Post International Limited.

On the FRS 17 basis, the assets and liabilities of the scheme are:

	Long-term rate of return expected at 31 December 2008 (% p.a.)*	Value at 31 December 2008 £000	Long-term rate of return expected at 31 December 2007 (% p.a.)*	Value at 31 December 2007 £000
Equities	7.6	548,082	7.6	764,892
Property	6.6	17,561	6.6	14,370
Corporate Bonds	5.5	268,034	-	-
Cash/Other	2.5	90,577	5.9	326,074
Combined	6.8 <sup>#</sup>	924,254		1,105,336

Asset values for 2008 and 2007 are bid values

\* The expected return on assets by asset category is not a required FRS17 (Amended December 2006) disclosure item (only the total rate needs to be disclosed).

# The overall expected rate of return on scheme assets is a weighted average of the individual expected rates of return on each asset class.

# Health Insurance Fund

## Notes to the Financial Statements for the year ended 31 December 2008

### 5. PENSION SCHEME (continued)

#### 5.2 Additional information required by FRS 17 (continued)

##### Reconciliation of funded status to balance sheet

	Value at 31 December 2008 £000	Value at 31 December 2007 £000
Fair value of scheme assets	924,254	1,105,336
Present value of funded defined benefit obligations	(1,306,089)	(1,252,981)
Asset/(liability) as recognised on the balance sheet of PECRS	(381,835)	(147,645)

##### Analysis of profit and loss charge

	Year ending 31 December 2008 £000	Year ending 31 December 2007 £000
Current service cost	37,482	39,997
Interest cost	72,927	62,799
Expected return on scheme assets	(74,793)	(73,098)
Expense recognised in profit and loss	35,616	29,698

PECRS, whilst a final salary scheme, is not a conventional defined benefit scheme as the employer is not responsible for meeting any ongoing deficiency in the scheme. Employer contributions are charged to revenue expenditure in the year they are incurred. As this scheme limits the liability of the States as the employer, scheme surpluses or deficits are only recorded within the States' accounts to the extent that they belong to the States.

##### Changes to the present value of the defined benefit obligation during the year

	Year ending 31 December 2008 £000	Year ending 31 December 2007 £000
Opening defined benefit obligation	1,252,981	1,223,932
Current service cost	37,482	39,997
Interest cost	72,927	62,799
Contributions Paid	11,261	10,485
Actuarial Gain *	(29,422)	(48,945)
Net benefits paid out	(39,140)	(35,287)
Closing defined benefit obligation	1,306,089	1,252,981

\* Includes changes to the actuarial assumptions

# Health Insurance Fund

## Notes to the Financial Statements for the year ended 31 December 2008

### 5. PENSION SCHEME (continued)

#### 5.2 Additional information required by FRS 17 (continued)

##### Changes to the fair value of scheme assets during the year

	Year ending 31 December 2008 £000	Year ending 31 December 2007 £000
Opening fair value of scheme assets	1,105,336	1,040,843
Expected return on scheme assets	74,793	73,098
Actuarial gains/(losses) on scheme assets	(260,192)	(14,050)
Contributions by the employer	32,196	30,247
Contributions by scheme participants	11,261	10,485
Net benefits paid out	(39,140)	(35,287)
Closing fair value of scheme assets	924,254	1,105,336

##### Actual return on scheme assets

	Year ending 31 December 2008 £000	Year ending 31 December 2007 £000
Expected return on scheme assets	74,793	73,098
Actuarial gains/(losses) on scheme assets	(260,192)	(14,050)
Actual return on scheme assets	(185,399)	59,048

##### The analysis of amounts in the Statement of Total Recognised Gains and Losses (STRGL)

	Year ending 31 December 2008 £000	Year ending 31 December 2007 £000
Total actuarial gains/(losses)	(230,770)	34,895

##### History of asset values, defined benefit obligations and surplus/deficit in scheme

	Year ending 31 December 2008 £000	Year ending 31 December 2007 £000
Fair value of scheme assets	924,254	1,105,336
Defined benefit obligation	(1,306,089)	(1,252,981)
Surplus/(deficit) in scheme	(381,835)	(147,645)

# Health Insurance Fund

## Notes to the Financial Statements for the year ended 31 December 2008

### 5. PENSION SCHEME (continued)

#### 5.2 Additional information required by FRS 17 (continued)

##### History of experience gains and losses\*

	Year ending 31 December 2008 £000	Year ending 31 December 2007 £000
Experience gains/(losses) on scheme assets	(260,192)	(14,050)
Experience gains/(losses) on scheme liabilities*	(23,258)	2,833

\* This item consists of gains/(losses) in respect of liability experience only, and excludes any change in liabilities in respect of changes to the actuarial assumptions used.

### 6. DEBTORS

	2008 £000	2007 £000
Loan receivable: Social Security Fund	-	6,219
Trade debtors:		
Contributors - individuals and employers	6,068	4,992
Other debtors	208	102
Bank interest and other income	63	207
	<b>6,339</b>	<b>11,520</b>

Trade debtors include the following amounts, 2008: £211,442 (2007: £15,000) due after more than one year.

The Minister considers that the carrying amount of the trade debtors approximates to their fair value.

Contributions are due from smaller organisations (less than 80 employees) and employers for the fourth quarter. Contributions are stated net of the write off of bad debts, 2008: £2,662 (2007: £3,328).

As at 31 December the Health Fund provided for a bad debt provision, 2008: £4,720 (2007: £23,504). This was made for those contributors and beneficiaries entering into an instalment agreement with the Department.

	2008 £000	2007 £000
Up to 3 months past due	-	5
3 to 6 months past due	-	1
6 to 12 months past due	-	3
Over 12 months past due	5	15
	<b>5</b>	<b>24</b>

The Minister considers that none of the above are impaired.

# Health Insurance Fund

## Notes to the Financial Statements for the year ended 31 December 2008

### 6. DEBTORS (continued)

As at 31 December, trade debtors of carrying value, 2008: £6.3 million (2007: £11.5 million) were past their due date but not impaired. The ageing is shown below:

	2008 £000	2007 £000
Up to 3 months past due	6,009	11,458
3 to 6 months past due	39	44
6 to 12 months past due	80	3
Over 12 months past due	211	15
	<b>6,339</b>	11,520

### 7. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2008 £000	2007 £000
Loan payable: Social Security Fund	624	-
Trade creditors:		
Amounts due to Doctors for Medical Benefit	66	84
Amounts due to Pharmacists for prescriptions	1,452	893
Amounts due to NHS Business Services Authority for the cost of prescription processing	70	76
Other creditors	29	32
	<b>2,241</b>	1,085

The Minister considers that the carrying amount of the trade creditors approximates to their fair value.

The loan payable to the Social Security Fund is unsecured and repayable on demand.

#### Maturity of financial liabilities:

The maturity profile of the carrying amount of the Health Fund's liabilities, as at 31 December was as follows:

	Other financial liabilities £000	2008 £000	2007 £000
Up to 3 months past due	2,242	2,242	1,054
3 to 6 months past due	-	-	31
	<b>2,242</b>	<b>2,242</b>	1,085

# Health Insurance Fund

## Notes to the Financial Statements for the year ended 31 December 2008

### 8. REVENUE RESERVES

	2008 £000	2007 £000
As at 1 January	63,435	52,778
Retained surplus for the year	8,663	10,657
<b>As at 31 December</b>	<b>72,098</b>	63,435

### 9. RELATED PARTY TRANSACTIONS

The Health Fund which considers the States of Jersey to be its ultimate controlling party, has the following commercial, arm's length relationships with the following companies, which are strategic investments of the States:

(a) Jersey Post International Limited

The States of Jersey hold all the ordinary shares in Jersey Post International Limited which became incorporated on 1 July 2006.

(b) Jersey Telecom Group Limited

The States of Jersey hold all the ordinary shares and 9% cumulative preference shares in the Jersey Telecom Group Limited.

The Health Fund pays Jersey Telecom Limited for services relating to telecommunications.

(c) Jersey Electricity Company Limited

The States of Jersey hold all the ordinary shares in the Jersey Electricity Company Limited which represents 62% of the Company's total share capital as at 31 December 2008.

The Health Fund pays Jersey Electricity Company Limited for the supply of heat, light and power.

(d) States of Jersey Treasury and Resources and other States Departments

The Health Fund also undertakes a number of transactions and joint undertakings with States of Jersey Treasury and Resources and other States Departments as noted in the table below.

Payments made in the year to 31 December to these related parties are shown below:

	2008 £000	2007 £000
Jersey Post International Limited	18	13
Jersey Telecom Group Limited	16	13
Jersey Electricity Company Limited	9	7
States of Jersey Treasury and Resources and other States Departments	47	30
	<b>90</b>	63

The Health Fund receives income from the States of Jersey in order to fund 40% of the cost of the Health Insurance Exception (HIE) scheme 2008: £124,718 (2007: £1,275,589).

# Health Insurance Fund

## Notes to the Financial Statements for the year ended 31 December 2008

### 9. RELATED PARTY TRANSACTIONS (continued)

The Health Insurance Fund does not operate a bank account, other than fixed deposit accounts. Consequently all receipts and payments in relation to the Health Insurance Fund are made through the Social Security Department bank accounts due to their relationship in respect of the Social Security Fund and then reallocated to the loan account as appropriate.

During the year the Social Security Department made net payments on behalf of the Health Insurance Fund, 2008: £6.730m (2007: (£0.746m)). At the year end the Health Insurance Fund owed, 2008: £0.624m (2007: was owed £6.219m).

Related Party costs for the year ended 31 December are analysed below:

	2008 £000	2007 £000
Services Related to administration	1,153	1,051

#### Related party balances at the year end:

	2008 £000	2007 £000
Amounts due to related parties:		
Social Security Fund	622	-
Treasurer of the States	1	6
Jersey Telecom Group Limited	-	1
Jersey Electricity Company Limited	-	1
Jersey Post International Limited	2	2
	625	10
Amounts due from related parties:		
Social Security Fund	-	6,219
Treasurer of the States	9	15
	9	6,234

### 10. RECONCILIATION OF SURPLUS FOR THE YEAR TO NET CASH FLOW FROM OPERATING ACTIVITIES

	2008 £000	2007 £000
Surplus of income over expenditure for the year	8,663	10,657
Decrease / (increase) in debtors	5,181	(668)
Increase in creditors	1,156	11
	15,000	10,000

# Health Insurance Fund

## Notes to the Financial Statements for the year ended 31 December 2008

### 11. ANALYSIS OF NET FUNDS

	At 1 January 2008 £000	Cash flows £000	At 31 December 2008 £000
Liquid resources	53,000	15,000	<b>68,000</b>
<b>Net funds</b>	53,000	15,000	<b>68,000</b>

### 12. ULTIMATE CONTROLLING PARTY

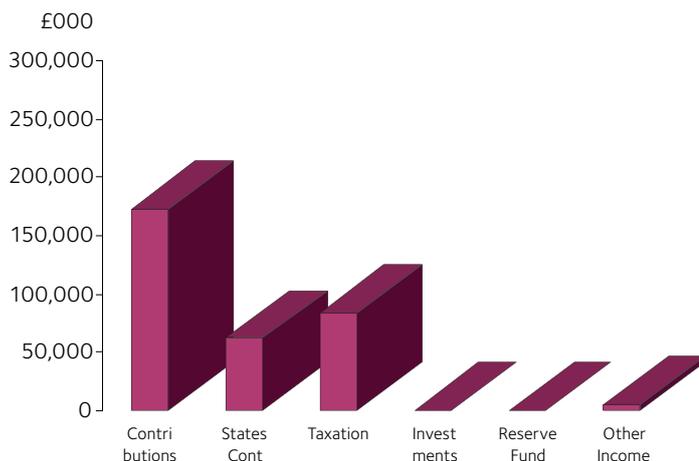
Under the Health Insurance (Jersey) Law, 1967 the Minister of Social Security is the ultimate controlling party of the Health Fund. The Minister of Social Security is a member of the council of Ministers of the States of Jersey and is responsible for safeguarding the assets of the Health Fund and for preparing the financial statements.

# Statistical Appendix 1

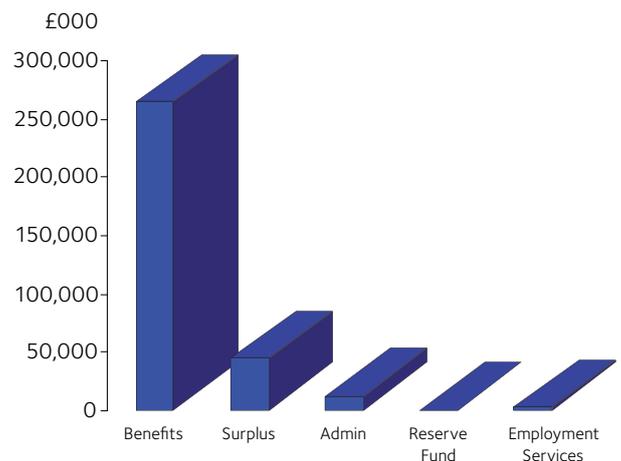
## Subjective analysis of all services

	Social Security Fund £000	Social Security Reserve £000	Health Fund £000	Tax Funded Services £000	Total 2008 £000	Total 2007 £000
<b>INCOME</b>						
Contributions employers & employees	144,634	–	27,549	–	<b>172,183</b>	159,420
Taxation	–	–	–	83,524	<b>83,524</b>	44,819
States Contributions	61,842	–	125	–	<b>61,967</b>	59,903
Net Investment income	–	2	–	–	<b>2</b>	7,001
Bank interest and other income	2,004	1	3,296	7	<b>5,308</b>	5,032
Net Reserve Fund income	–	–	–	–	<b>–</b>	5,983
<b>Total Income</b>	<b>208,480</b>	<b>3</b>	<b>30,970</b>	<b>83,531</b>	<b>322,984</b>	<b>282,158</b>
<b>EXPENDITURE</b>						
Benefits	164,565	–	21,154	78,394	<b>264,113</b>	212,336
Employment schemes & services	–	–	–	2,678	<b>2,678</b>	2,507
Administration	7,516	514	1,153	2,459	<b>11,642</b>	12,077
Transferred to the Reserve Fund	–	–	–	–	<b>–</b>	5,983
<b>Total Expenditure</b>	<b>172,081</b>	<b>514</b>	<b>22,307</b>	<b>83,531</b>	<b>278,433</b>	<b>232,903</b>
<b>Surplus/(Deficit) of Income over Expenditure</b>	<b>36,399</b>	<b>(511)</b>	<b>8,663</b>	<b>–</b>	<b>44,551</b>	<b>49,255</b>

INCOME FROM ALL SOURCES 2008



EXPENDITURE FROM ALL SOURCES 2008

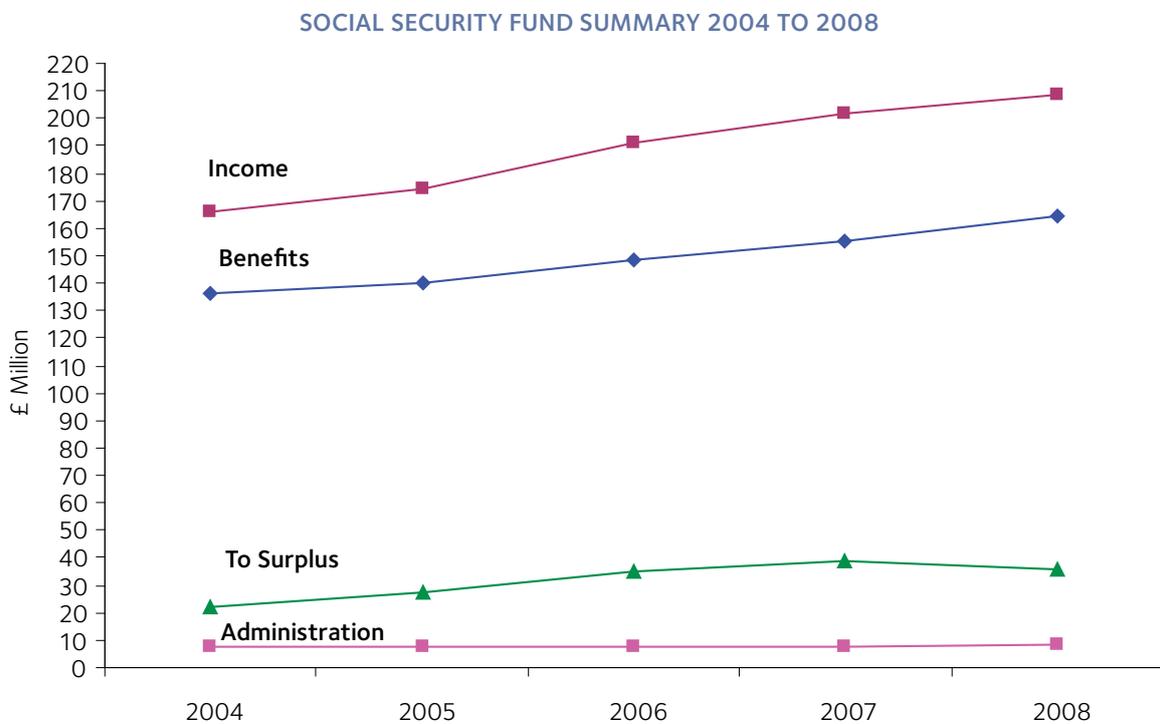


The above information is for the benefit of the user and is not part of the audited financial statements.

## Statistical Appendix 2

### Five year summary of both Social Security Funds

	2004 £000	2005 £000	2006 £000	2007 £000	2008 £000
<b>INCOME</b>					
Contributions	110,319	117,136	123,954	133,913	144,634
Supplementation	50,800	50,776	56,567	58,627	61,842
Net Investment income	3,876	5,302	8,671	7,001	3
Bank interest & other income	799	1,490	2,070	1,887	2,005
<b>Total Income</b>	<b>165,794</b>	<b>174,704</b>	<b>191,262</b>	<b>201,428</b>	<b>208,484</b>
<b>EXPENDITURE</b>					
Benefits	136,188	140,209	148,225	155,428	164,565
Administration	7,497	7,323	7,779	7,402	8,030
<b>Total Expenditure</b>	<b>143,685</b>	<b>147,532</b>	<b>156,004</b>	<b>162,830</b>	<b>172,595</b>
<b>NET SURPLUS</b>	<b>22,109</b>	<b>27,172</b>	<b>35,258</b>	<b>38,598</b>	<b>35,888</b>
<b>NET ASSETS</b>	<b>452,233</b>	<b>560,148</b>	<b>641,680</b>	<b>711,031</b>	<b>637,173</b>

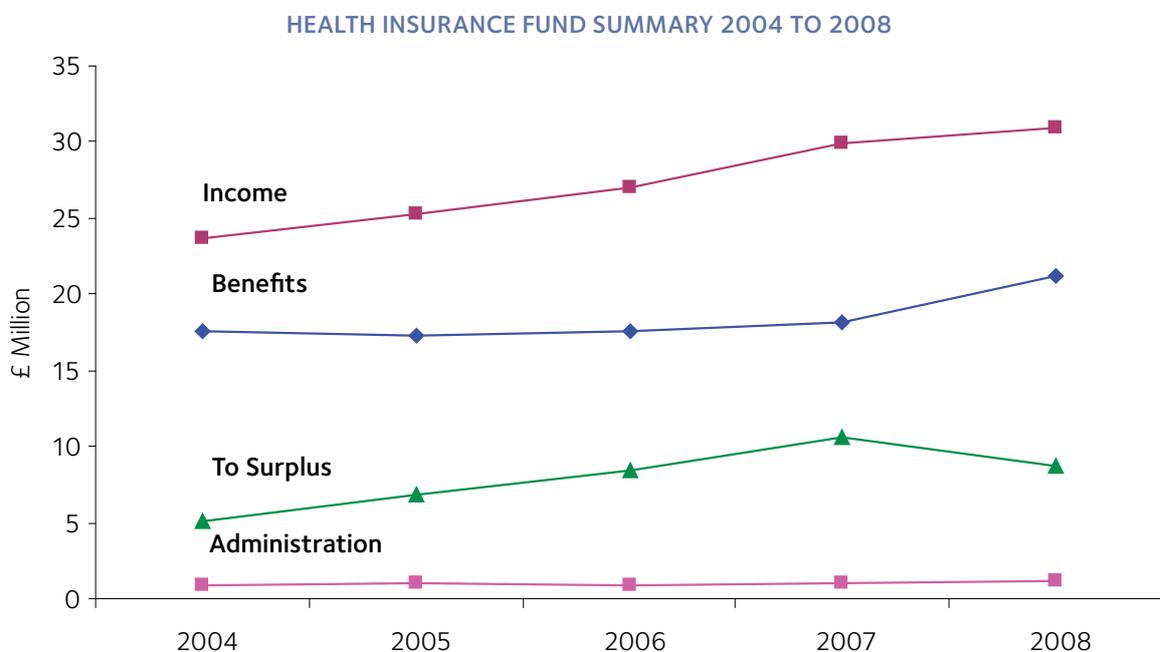


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## Statistical Appendix 3

### Five year summary of Health Insurance Fund

	2004 £000	2005 £000	2006 £000	2007 £000	2008 £000
<b>INCOME</b>					
Contributions					
Contributors	21,013	22,312	23,610	25,507	27,580
Taxation	1,181	1,171	1,218	1,276	125
Bank interest	1,454	1,751	1,997	2,986	3,138
Discounts received	64	59	121	149	158
<b>Total Income</b>	<b>23,712</b>	<b>25,293</b>	<b>26,946</b>	<b>29,918</b>	<b>31,001</b>
<b>EXPENDITURE</b>					
Benefits	17,628	17,318	17,534	18,210	21,154
Administration	941	1,084	929	1,051	1,153
<b>Total Expenditure</b>	<b>18,569</b>	<b>18,402</b>	<b>18,463</b>	<b>19,261</b>	<b>22,307</b>
<b>NET SURPLUS</b>	5,143	6,891	8,483	10,657	8,694
<b>NET ASSETS</b>	<b>37,404</b>	<b>44,295</b>	<b>52,778</b>	<b>63,435</b>	<b>72,129</b>



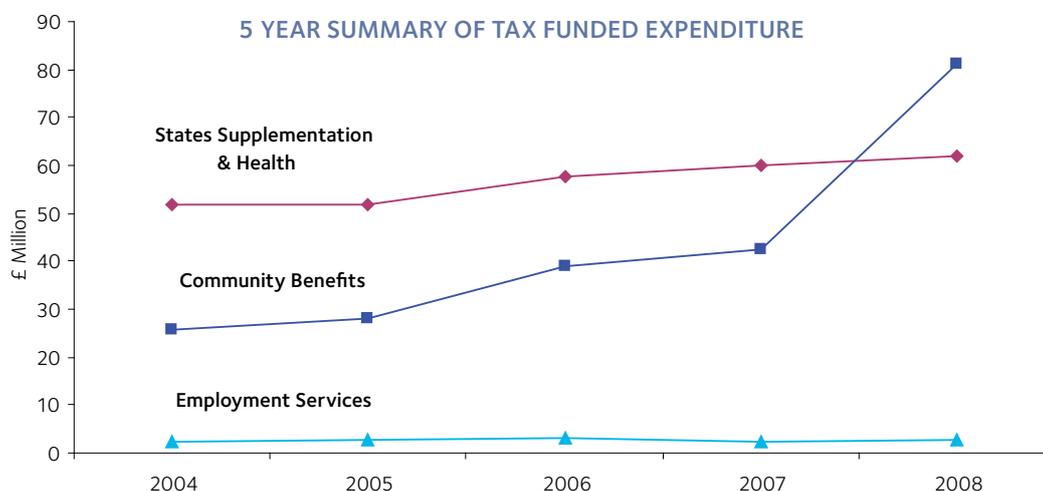
The above information is for the benefit of the user and is not part of the audited financial statements.

# Statistical Appendix 4

## Five year summary of Tax Funded Expenditure

	2004 £000	2005 £000	2006 £000	2007 £000	2008 £000
<b>NET EXPENDITURE</b>					
Contribution from the States					
States Supplementation	50,800	50,776	56,567	58,627	61,842
Health Insurance Exceptions*	1,181	1,171	1,218	1,276	125
<b>Total Contribution from the States</b>	<b>51,981</b>	<b>51,947</b>	<b>57,785</b>	<b>59,903</b>	<b>61,967</b>
Community Benefits					
Income Support	-	-	-	-	70,832
GST Benefit	-	-	-	-	109
Family Allowances*	5,115	5,155	5,360	5,564	409
Dental Benefit	101	97	95	92	92
Non-Contributory Death Grants	10	23	10	11	17
Milk at Reduced Rate*	334	361	350	329	16
Attendance Allowance*	3,440	3,616	3,958	4,161	358
Invalid Care Allowance	1,560	1,781	2,091	2,070	2,203
Disablement Allowance*	974	1,030	1,053	1,120	105
Welfare and Residential Care*	3,699	4,940	13,201	16,218	1,534
Christmas Bonus	1,357	1,412	1,459	1,565	1,662
Disability Transport Allowance*	6,101	6,395	6,470	6,616	568
Childcare Allowances*	622	469	514	513	-87
Childcare Support	-	-	-	-	5
Social Fund (States)	268	246	136	198	100
65 + Health Plan	376	265	176	46	267
TV Licence 75+	-	-	176	195	204
Community Benefits Admin Direct and Indirect	1,833	2,142	3,824	3,625	2,459
<b>Total Community Benefits</b>	<b>25,790</b>	<b>27,933</b>	<b>38,872</b>	<b>42,322</b>	<b>80,853</b>
Employment Services					
Training & Employment	1,641	1,692	2,219	1,629	1,731
Health and Safety	461	406	385	393	390
Employment Relations	343	495	505	485	557
<b>Total Employment Services</b>	<b>2,445</b>	<b>2,593</b>	<b>3,109</b>	<b>2,507</b>	<b>2,678</b>
<b>Total Net Expenditure</b>	<b>80,216</b>	<b>82,472</b>	<b>99,767</b>	<b>104,733</b>	<b>145,498</b>

\* Benefit paid until 27 January 2008 and then encompassed within Income Support benefit



The above information is for the benefit of the user and is not part of the audited financial statements.

## Statistical Appendix 5

Statistical summary as at 31st December

	2004	2005	2006	2007	2008
<b>SOCIAL SECURITY</b>					
<b>Number of Contributors</b>					
Employed – Class 1	40,788	41,764	42,990	43,989	<b>44,913</b>
Self Employed – Class 2	3,757	3,916	3,900	4,031	<b>4,014</b>
Red Card's	4,593	4,500	4,416	4,276	<b>4,125</b>
Receiving credits only	4,684	4,793	4,708	4,553	<b>4,273</b>
Receiving supplementation	30,079	30,439	31,444	31,484	<b>32,195</b>
<b>Number of Beneficiaries</b>					
Retirement Benefit	22,380	22,852	23,484	24,202	<b>24,894</b>
Survivor's Benefit	957	940	945	952	<b>937</b>
Short Term Incapacity Allowance	831	1,219	1,097	973	<b>1,103</b>
Invalidity Benefit	2,094	1,962	1,754	1,575	<b>1,405</b>
Injury Benefit	59	–	–	–	<b>–</b>
Long Term Incapacity Allowance	982	1,370	1,785	2,066	<b>2,237</b>
Maternity Allowance	244	197	197	202	<b>204</b>
<b>HEALTH INSURANCE – ORDINARY</b>					
Number of persons in the scheme	83,212	83,172	84,177	85,013	<b>90,800</b>
Number of doctors' visits during year by claimants	349,479	338,556	354,395	342,404	<b>351,457</b>
Number of prescriptions during year	993,307	1,044,211	1,067,496	1,127,489	<b>1,347,460</b>
Gluten Free Food beneficiaries	171	189	205	216	<b>235</b>
<b>HEALTH INSURANCE – EXCEPTIONS</b>					
Number of persons in the scheme*	3,974	4,014	4,023	4,287	<b>–</b>
Number of doctors' visits during year by claimants*	45,078	46,542	47,125	46,771	<b>3,578</b>
Number of prescriptions during year*	170,730	175,152	184,120	196,846	<b>18,547</b>
<b>STATES FUNDED SCHEMES</b>					
Income Support beneficiaries	–	–	–	–	<b>8,362</b>
Family Allowance beneficiaries*	1,293	1,244	1,215	1,172	<b>–</b>
Dental Scheme members	1,305	1,320	1,309	1,331	<b>1,255</b>
Milk at Reduced Rate beneficiaries*	7,837	7,578	7,463	8,634	<b>–</b>
Attendance Allowance beneficiaries*	728	733	762	793	<b>–</b>
Invalid Care Allowance beneficiaries	147	167	177	181	<b>181</b>
Disablement Allowance beneficiaries*	284	293	289	306	<b>–</b>
Christmas Bonus beneficiaries	18,158	18,122	18,262	18,544	<b>18,702</b>
Disability Transport Allowance beneficiaries*	3,032	3,131	3,237	3,309	<b>–</b>
Child Care Allowance beneficiaries (0-5)*	56	50	47	51	<b>–</b>
65+ Health Scheme members	2,467	2,623	2,740	2,779	<b>2,826</b>
Television Licence beneficiaries	–	–	1,425	1,500	<b>1,435</b>
Registered unemployed at 31st December	477	414	427	322	<b>670</b>

\*Benefits now part of Income Support

The above information is for the benefit of the user and is not part of the audited financial statements.





