

PARISH OF ST SAVIOUR



Dissolving of the Pension Reserve Account

Lodged au Parish Assembly

By the Connétable of Parish of St Saviour

Earliest date for debate: 21 September 2023

Proposition: P21/0923/1

PARISH OF ST SAVIOUR

INTRODUCTION

The document is intended to provide information about our Connétable's proposal to dissolve the Pension reserve account for the Parish's old Non-contributory Pension Scheme and to allocate the funds held in that reserve to other reserves.

REPORT

PROPOSITION

THE PRINCIPALS AND ELECTORS OF THE PARISH are asked to approve the Connétable's proposal to dissolve the existing Pension Reserve Account, which currently has a balance of £542,592, and to transfer those funds to other reserve accounts as follows:

- £ 100,000 to the Roads Reserve
- £ 100,000 to the Property Reserve
- £ 300,000 to the Vehicles Reserve
- £ 42,592 to the General Reserve

BACKGROUND

The Non-contributory pension scheme

The Parish's Non-contributory Pension Scheme was established in the early 1970s to provide retirement benefits for employees of the Parish who did not wish, or were not eligible, to join the Government of Jersey pension schemes.

To qualify for the scheme, employees had to have completed a continuous period of 10 years of full-time employment. They had the option of retiring and drawing a pension at the age of 60.

As its name indicates, the scheme did not require any contribution from employees.

The main benefits offered by the Scheme are:

- A pension at retirement for members and;
- A survivor's pension payable (50% of original payment) to the spouse of a member who dies in service or whilst in receipt of a pension after retirement.

The scheme was closed to new entrants in the 1990s. This decision was primarily driven by improvements in the Government of Jersey's pension schemes.

The Scheme operates on an unfunded basis with the payments being treated in the Parish Accounts as 'current year expenses'.

There are now no Parish employees who are members of this scheme. There are, at the time of writing, sixteen individuals (former Parish employees or their spouses) who are receiving pensions from the Parish. The average age of those receiving pensions from the Parish is 81.

Scheme funding

The Pensions Reserve was initially established to fund the pension payments to be made under this scheme and each year the parish would approve a transfer of funds, ranging from £ 10,000 to £ 50,000, from general revenue into this reserve.

In 2007, it was resolved that these transfers would be discontinued, and the cost of this scheme would be charged to the General Account.

In the latter part of 2020, the Connétable and Procureurs engaged AON (leading global provider of risk management and insurance broking services) to conduct an actuarial valuation of the scheme to assess its long-term viability and associated risks. The assessment, which took into account scheme membership, expected inflation, life expectancy and similar factors, revealed a long-term liability of approximately £4 million.

At that time the Pensions Reserve stood at £ 552,632 and it seems probable that this discrepancy influenced the 2007 decision to finance the scheme from the General Account.

RATIONALE:

THE PROPOSAL

It seems probable that the Parish's total liability under this scheme has changed little from the figure shown in the 2020 report and this means that the historical balance held in the Pensions Reserve would only cover about three years of pensions expenditure at the current rate (£ 146,335 in 2022-3).

This indicates that the Pensions Reserve does not constitute any sort of meaningful 'protection' for the beneficiaries of the scheme and that the Parish will need to continue to pay these pensions out of income for many years to come.

This being the case, the Connétable is now proposing to put these funds to better use and suggests that this would be:

- A transfer of £ 100,000 to the Roads Reserve to greatly increase our capacity to carry out unplanned works.
- A transfer of £ 100,000 to the Property Reserve to provide a financial cushion for exceptional and unexpected property-related expenses.
- A transfer of £ 300,000 to the Vehicle Reserve to help pay for vehicle purchases in the coming years and;
- transfer of the balance of £42,592 to the General Reserve Account.

FINANCIAL AND STAFFING IMPLICATIONS:

There are no identified financial or staffing implications. The funds are being redistributed from a single account into multiple distinct reserve accounts.

CONCLUSION:

The Connétable is confident that the proposed reallocations will not incur significant financial burdens, but rather, strategically repositions the organisation to prudently anticipate and manage unforeseen expenditures. This proactive approach will ultimately safeguard the interests of the parish ratepayers without imposing undue fiscal pressures.

End of report
