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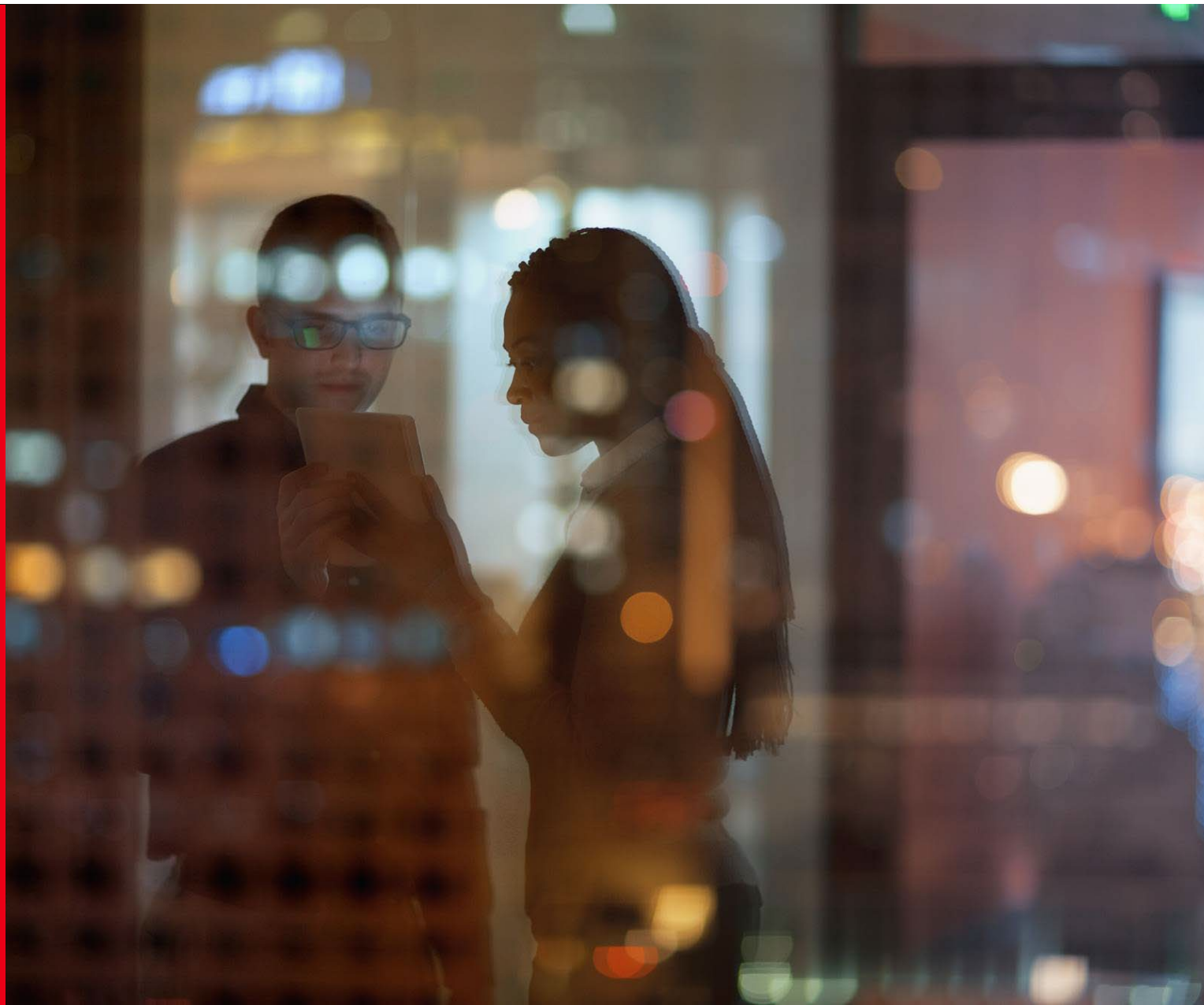
Jersey Teachers' Superannuation Fund

Actuarial valuation at 31 December 2024

Prepared for: JTSF Management Board
Prepared by: Jonathan Teasdale FIA C.Act

23 March 2026

Private and Confidential



Executive Summary

The key conclusions from the actuarial valuation at 31 December 2024 are set out below.

There was a surplus of £130.8M based on the assumptions adopted for the valuation

We have carried out a valuation of the Jersey Teachers' Superannuation Fund (the 'Fund') as at 31 December 2024. The purpose of the valuation is to review the operation of the Fund since the previous valuation, and to report on the financial condition of the Fund and the adequacy or otherwise of the contributions to support the benefits of the Fund.

Following advice from ourselves, the Management Board has confirmed that the assumptions adopted to determine the **funding target** for the Fund should be best-estimate assumptions. Under best-estimate assumptions the future outcome is just as likely to be better or worse than assumed. The rationale for using best-estimate assumptions is discussed in Appendix 4.

The main conclusions from the valuation are that:

- There is a past service surplus of £164.8M as at 31 December 2024.
- The value of anticipated future contributions is less than the value of future service benefits in respect of active members as at 31 December 2024, giving rise to a future service deficiency of £34.0M.
- Putting these two elements together, the Fund's overall surplus as at 31 December 2024 is £130.8M, equivalent to a funding ratio of 118.0%.

The surplus may be retained as a buffer against future adverse experience

Article 18(4) of the Teachers' Superannuation (Administration) (Jersey) Order 2007 requires the Chief Minister, within 3 months of this report being laid before the States of Jersey, to consult with the Management Board and to submit to the States proposals for disposing of the surplus.

The proposals may consist of (but are not limited to) the following:

- If the surplus appears to be of a temporary nature, a recommendation that no action should be taken;
- The retention of a surplus no larger than the Actuary advises is a prudent reserve; or
- An increase in the benefits under the Fund.

Our advice to the Management Board is that the surplus of £130.8M is no larger than we would advise is a prudent reserve against future adverse experience. In particular, this takes account of the following:

- The funding strain expected when new members join the Fund, due to contributions being lower than the cost of accrual; and
- The volatility inherent in the value of the Fund's assets relative to liabilities.

We therefore recommend the surplus is retained as a buffer against future adverse experience.

Signed by:
Jonathan Teasdale
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Mar 23, 2026

Signature **Date**

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Introduction

This report has been prepared for the Management Board. It considers the financial position of the Fund as at 31 December 2024.

Legislation

In accordance with Article 3(13) of the Teachers' Superannuation (Jersey) Law 1979, we have carried out a valuation of the Jersey Teachers' Superannuation Fund (the 'Fund') as at 31 December 2024.

Under the legislation, valuations of the Fund are required at least once every five years. However, it is the policy of the Management Board to require valuations at least every three years so as to keep the finances of the Fund under more frequent scrutiny.

The results of the valuation are based on the Orders of the Fund in force at the valuation date.

Purpose

The purpose of the valuation is to review the operation of the Fund since the previous valuation, and to report on the financial condition of the Fund and the adequacy or otherwise of the contributions to support the pensions and other benefits of the Fund.

Previous valuation

Our valuation report dated 28 February 2023 considered the financial position of the Fund as at 31 December 2021.

Contributions since the previous valuation

Since the previous valuation, contributions have been paid at the rates specified in the Fund's Orders. The pension increase debt referred to in the "Information used" section of this report was repaid in full through lump sum payments of £134,500,000 on 31 May 2022 and £706,819 on 29 July 2022. With effect from 1 June 2022, the rate of employer contributions payable under the Fund's Orders was reduced from 16.4% of salary to 10.8% of salary.

Next valuation

In accordance with the policy of the Management Board, the next valuation is due to be carried out no later than 31 December 2027.

Scope of advice

The report is prepared for the Management Board. Please see Appendix 1 for further details of the scope of advice.

Words used

Our report includes some technical pension terms. The words shown in **bold print** are explained further in the glossary.

For brevity, we have also used the following shorthand:

Shorthand	What it means
Jersey RPI	All Items Retail Prices Index for Jersey
Orders	See Appendix 2
Salaries, Service	As defined in the Orders
Fund	Jersey Teachers' Superannuation Fund
Valuation date	31 December 2024

Snapshot view

The report concentrates on the Fund's financial position at the valuation date. As time moves on, the Fund's finances will fluctuate. If you are reading this report some time after it was produced, the Fund's financial position could have changed significantly.

Developments since the previous valuation

This section summarises the key developments since the previous valuation.

The financial health of the Fund depends fundamentally on how much cash is paid in, how well the assets perform, and on what benefits are paid out. The key developments since the previous valuation therefore include:

- The amount of contributions paid to the Fund.
- The actual returns on the Fund's investments.
- Whether there are changes to future expectations of benefit payments or investment returns.

These items are discussed later in this report. As well as these high-level points, please note the developments below.

Dealing with the 2021 valuation surplus

The valuation as at 31 December 2021 revealed a surplus of £50.3M based on future increases in pensions and deferred pensions in line with the annual increase in the Jersey RPI.

Where a surplus is disclosed at a valuation, the Orders governing the Fund require proposals to be submitted to the States to dispose of any surplus. It was agreed that the surplus in the Fund would be retained as a buffer against future adverse experience.

Changes to Fund Orders

There has been one key change made to the Fund Orders since the previous valuation:

- Following repayment of the pension increase debt, with effect from 1 June 2022, the rate of employer contributions payable under the Fund's Orders was reduced from 16.4% of salary to 10.8% of salary.

Information used

The information used for the valuation is summarised below.

To carry out the valuation, we have obtained information on:

- The assets held by the Fund.
- How benefit entitlements are calculated.
- Member data.

This section sets out a high-level summary of the information used. Further details are included in Appendices 2 and 3.

Assets

The Scheme's assets (excluding AVCs paid on a money purchase basis) had an audited market value of £857.2M at the valuation date.

For further details, please see the Asset Data section.

Benefits valued

Members are entitled to benefits defined in the Orders. We are not aware of any established practice of granting additional discretionary benefits and no allowance for such benefits has been made in this valuation. A summary of the benefits valued is set out in Appendix 2.

Pension increase debt

The Fund provides pensions and other benefits which are subject to increases based on the rate of inflation. Prior to 2007, the cost of these pension increases was met on a "pay-as-you-go" basis by the employer as opposed to being funded in advance within the Fund.

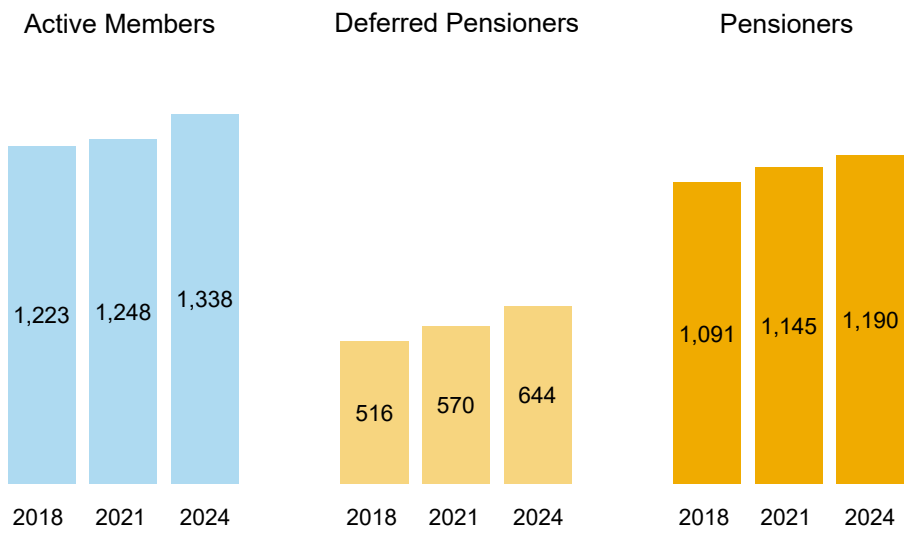
As a result of a decision by the Government of Jersey effective in 2007 to pay pension increases (both those already awarded, and those due in future) from the Fund, a shortfall arose in respect of the indexation of benefits accrued before 2007. The total deficit in the Fund was assessed as £91.6M as at 31 December 2010. This deficit became known as the 'pension increase debt' and it was recognised (via a provision in the Government balance sheet) that this debt should be paid into the Fund over a period of time.

This valuation reflects the fact that the pension increase debt was repaid by the Government in full through lump sum payments to the Fund of £134,500,000 on 31 May 2022 and £706,819 on 29 July 2022.

Membership data

The valuation calculations use membership data supplied by the administrators (the Public Employees Pension Team of the Government Treasury and Exchequer Department) at 31 December 2024.

The following chart illustrates how the membership profile is evolving. Please see Appendix 3 for a more comprehensive summary of the data.



Note: Pensioner numbers include dependants (i.e. spouses, civil partners, children and adult dependants in receipt of a pension)

Reliability of information

We have carried out general checks to satisfy ourselves that:

- The information used for this valuation is sensible compared with the information used for the previous valuation.
- The results of this valuation can be traced from the results of the previous valuation.

However, the results in our report rely entirely on the accuracy of the information supplied.

Valuation approach

This section describes the approach taken for the valuation calculations.

Adequacy of contributions

The contributions to the Fund are specified in the Orders governing the Fund and are paid so as to provide the benefits which will become payable to members when they retire or otherwise leave the Fund.

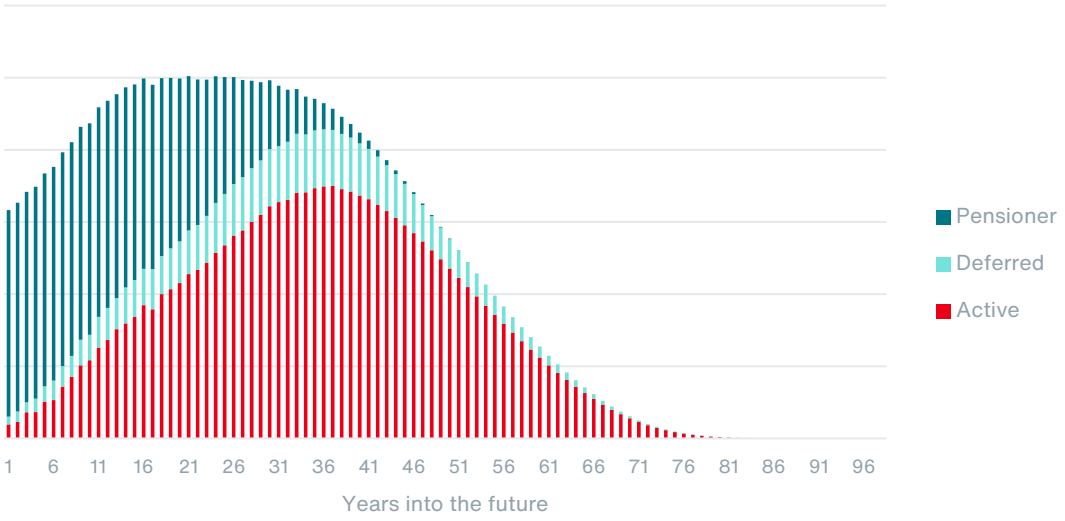
The factors affecting the Fund's finances are open to changing circumstances. Consequently, it is necessary to review the operation of the Fund from time to time, by means of an actuarial valuation, to determine the adequacy or otherwise of the contributions to support the benefits payable under the Fund.

Funding target and funding objective

In our review we start with the known facts about the Fund at the valuation date, i.e. the benefit and contribution structure, the membership and the assets. We then must make assumptions about the factors affecting the Fund's future finances such as investment returns, pay increases and rates of mortality, leaving service and retirement.

In order to calculate the value placed on the benefits, the benefits paid out by the Fund are estimated for each year into the future. The estimated benefit payments are then 'discounted back' to the valuation date using an assumed investment return known as the discount rate.

The benefit payments from the Fund are expected to be made for a very long period and Fund cashflows are linked to future levels of inflation – the chart below shows the cashflow pattern for the Fund at this valuation, covering benefits accrued up to the valuation date.



For the purpose of assessing whether the contributions are adequate to support the current benefits, it is appropriate to set a "**funding target**" and "funding objective".

The terms "surplus" and "deficiency" are referred to in the Fund's Orders but are not explicitly defined. In practice, we say there is a surplus if the **funding target** is more than fully met and we say there is a deficiency if the **funding target** is less than fully met.

The Management Board has determined the following **funding target** and funding objective:

- The **funding target** is that, based on best estimate assumptions, the assets and future contributions in relation to the current members of the Fund should be sufficient over the long term to support the benefits payable from the Fund in respect of the current members of the Fund including full future annual indexation in line with the Jersey RPI.
- The funding objective is that the **funding target** should be met and that any variations in outcome should be dealt with following each valuation in accordance with the Orders, by adjustments to contributions and/or benefits or by carrying forward surpluses and deficiencies where appropriate.

Under best-estimate assumptions the future outcome is just as likely to be better or worse than assumed. The rationale for using best-estimate assumptions is discussed in Appendix 4.

For the purposes of assessing suitable assumptions at this valuation, the Management Board agreed that the Actuary should make allowance for continued future investment in growth assets, such as equities, by assuming that liabilities will be backed by assets in line with the Fund's strategic benchmark at the valuation date (as summarised in Appendix 6) with a broad allowance for future de-risking of the investment strategy over the longer term.

Changes from previous valuation

The funding objective is unchanged from the previous valuation although there have been changes to the assumptions used, as discussed below.

Valuation method

A description of the method used for the valuation calculations is set out in Appendix 5.

For previous valuations, the Management Board specified that contributions equal to 5.6% of salaries should be allocated to meet the pension increase debt, leaving employer contributions of 10.8% of salaries to cover the cost of future benefit accrual and administration expenses.

The pension increase debt has since been repaid in full through lump sum payments of £134,500,000 on 31 May 2022 and £706,819 on 29 July 2022 and so there are no longer any future repayments to be valued as an asset of the Fund. Following repayment of the pension increase debt, the employer contribution rate was reduced to 10.8% and it is this level of contributions (alongside the employee contributions) we have valued and compared with the cost of future benefit accrual and administration expenses.

Valuation assumptions

The results of a valuation are very sensitive to the assumptions made. The financial assumptions have a significant effect on the results of a valuation. However, the other assumptions, particularly the mortality assumptions, are also important.

Use of market-led financial assumptions

We have adopted a market-led approach, which involves:

- market-led financial assumptions for valuing the liabilities and future contributions; and
- valuing the assets at market value.

Key financial assumptions

The following table shows the key financial assumptions used for this valuation, with the assumptions used for the previous valuation shown alongside for comparison. Important points to bear in mind are:

- The differences between the rates have a bigger impact on the results of the valuation than the absolute levels of each assumption.
- The assumptions were derived based on market conditions and views at the valuation date to ensure compatibility with the market value of the assets.

Assumption	2021	2024
Discount rate (investment return)	5.25% p.a. until 31 December 2036, reducing immediately to 4.75% p.a. with effect from 1 January 2037	6.5% p.a. until 31 December 2036, reducing immediately to 5.5% p.a. with effect from 1 January 2037
Jersey RPI	2.85% p.a.	2.85% p.a.
Increases to pensions in payment and in deferment (excluding allowance for re-entry to active service)	2.85% p.a.	2.9% p.a.
General salary increases (in addition to promotional increases)	3.35% p.a.	3.35% p.a.

Comparison of financial assumptions with 2021 valuation

Overall (ignoring any changes to the demographic assumptions), the financial assumptions we have used result in a higher surplus than if the assumptions used for the 2021 valuation had been retained. The main reason for this is an increase in the discount rate (relative to Jersey RPI) used to value the liabilities.

Demographic assumptions

Other important assumptions used to value the liabilities include:

- the assumed future rates of mortality;

- the allowance made for the extent to which members will choose to exchange pension for a cash lump sum at retirement (at the rate of £13.50 cash lump sum for each £1 annual pension given up);
- the allowance for additional increases to salaries due to promotion, service or seniority; and
- the allowance made for the age at which members in each membership category will retire in future.

Comparison of demographic assumptions with 2021 valuation

We have reviewed the extent to which the demographic assumptions adopted for the 2021 valuation of the Fund remain appropriate for the current valuation as at 31 December 2024 after analysing the experience of the Fund and taking account of other relevant data. Full details of the demographic assumptions used for this valuation, and the reasons for any changes compared to the previous valuation, are set out in Appendix 7 to this report.

In the light of this review we have made some changes to the demographic assumptions. The overall effect of these changes is to slightly increase the surplus.

General comments on the assumptions

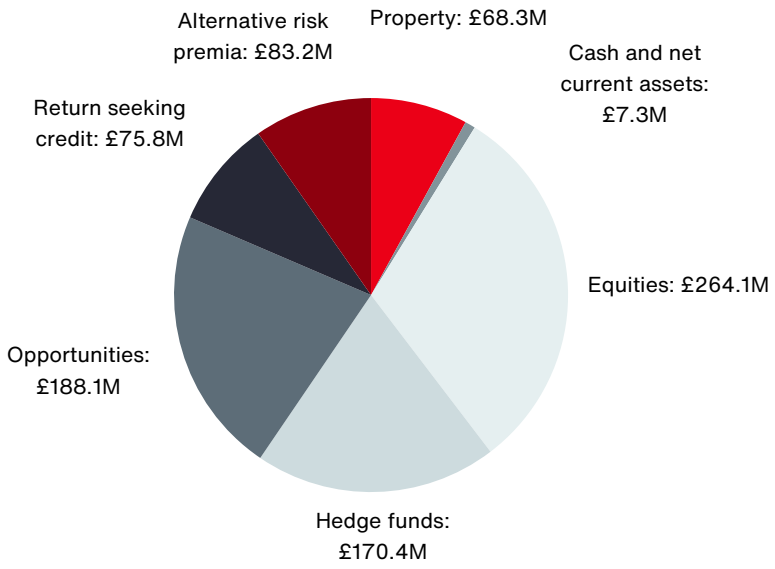
In our opinion, the financial and demographic assumptions, taken as a whole, are a reasonable best-estimate basis for assessing the funding position of the Fund.

Asset data

The audited accounts for the Fund for the year ended 31 December 2024 show the assets were £857.9M of which £0.7M related to AVC assets.

The Fund's assets are held separately from those of the Government of Jersey. The audited Fund accounts for the year ended 31 December 2024 show its assets as £857.9M, of which £0.7M related to assets derived from Additional Voluntary Contributions (AVCs) paid on a money purchase basis.

The balance of the assets of £857.2M can be categorised as follows:



Valuation results

Based on the assumptions set out in the "Valuation approach" section, the Fund surplus at 31 December 2024 is £130.8M, equivalent to a funding ratio of 118.0%.

A detailed breakdown of the results of the main valuation calculations is given below.

£M	31 December 2024
Actives	252.1
Deferred pensioners	69.8
Pensioners	370.5
Value of past service benefits	**692.4**
Value of assets	**857.2**
Past service surplus / (deficiency)	164.8
Future service surplus / (deficiency)	(34.0)
Fund surplus / (deficiency)	130.8
Funding ratio = assets / (value of past service benefits plus future service deficiency)	118.0%

The above table shows there is a past service surplus of £164.8M at 31 December 2024.

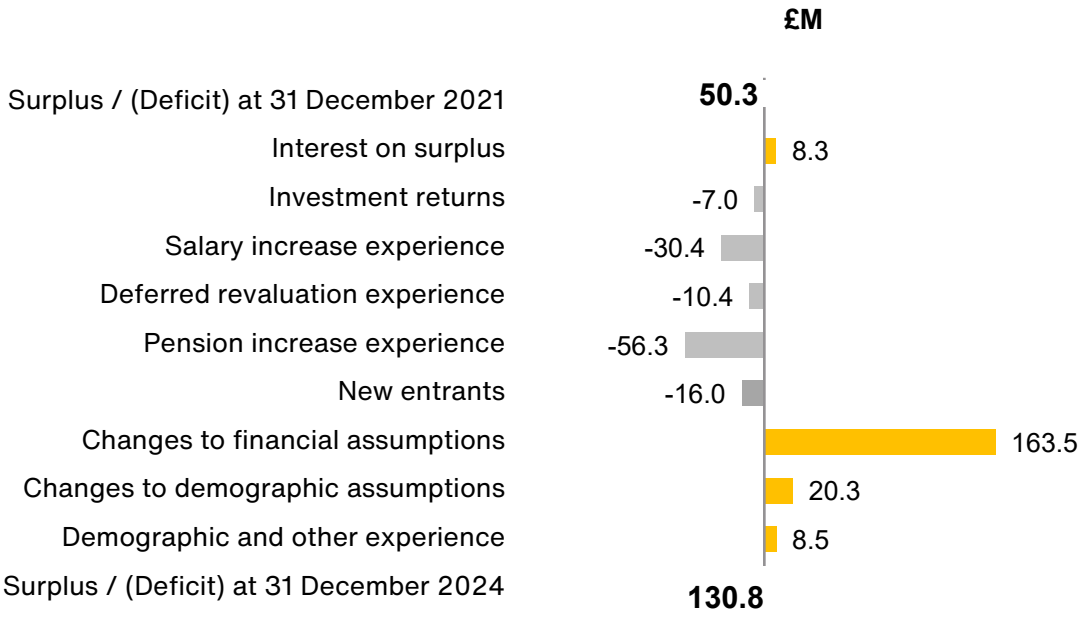
There is also a future service deficiency of £34.0M, i.e. the value of future contributions anticipated from employers and current active members is £34.0M less than the value of future benefit accrual (plus an allowance of 1.1% of members' salaries for expenses) in respect of current active members.

Putting this together, the overall Fund surplus at 31 December 2024 is £130.8M, equivalent to a **funding ratio** of 118.0%.

Reasons for change in funding position

The funding position has improved from a surplus of £50.3M at 31 December 2021 to a surplus of £130.8M at 31 December 2024.

The chart below shows the key reasons for the change in funding position between 31 December 2021 and 31 December 2024.



The analysis shows that the main factor which has contributed to the improvement in the funding position since the previous valuation has been the changes in financial assumptions, primarily an increase in expected future investment returns.

This has been partially offset by higher than expected salary increases and increases in deferred pensions and pensions in payment (as a result of higher than expected inflation) over the inter-valuation period.

New entrant cost

The current contribution rate is insufficient to meet the cost of future benefits for new joiners to the Fund.

The table below shows the contribution rate required to meet the cost of benefits for future new joiners to the Fund at the valuation date, compared to the contributions expected to be received (which are specified in the Orders).

For joiners in future years, the new entrant cost is expected to gradually increase due to the allowance for investment de-risking in the discount rate and to continued improvements in life expectancy.

% of salaries	2024 valuation
Cost of future benefits	17.9
Expenses	1.1
Total new entrant cost	**19.0**
Employer contribution rate	10.8
Member contribution rate	5.0
Total contribution rate	**15.8**
Future new entrant shortfall	**3.2**

The table shows that there is a funding strain expected when new members join the Fund, due to contributions being lower than the cost of accrual.

Assumptions

The assumptions used to calculate the cost of future benefits above are the same as those used to calculate the main valuation results at the relevant valuation date. In addition, we have assumed the following:

- New entrants are aged 32 on joining the Fund (this is an assumed average age having regard to experience); and
- Two-thirds of the new entrants are females and one-third are males.

Risks and sensitivity analysis

The Fund faces a number of key risks which could affect its funding position.

This section comments on some of the key risks faced by the Fund. It concentrates on the deterioration to the Fund's finances that may arise in various hypothetical downside scenarios (where the actual experience is less favourable than the assumptions made at this valuation).

However, as the assumptions used to determine the **funding target** are best-estimate assumptions, upside scenarios (where the experience is more favourable than the assumptions) are just as likely.

Key risks

Here is a recap of some of the key factors that could lead to deficiencies in future:

- The risk that the **funding target** is set too low and proves insufficient to meet the liabilities.
- Investment risks – the risk that the return achieved on the Fund's assets may be lower than allowed for in the valuation, and also that the assets may not move in line with the value of the benefits. The Fund invests in assets (e.g. equities) that are expected to achieve a greater return than the assets (i.e. index-linked gilts and investment grade derivatives) that most closely match the expected benefit payments (index-linked gilts and derivatives would provide a broad match but these assets are linked to UK RPI whereas the Fund's benefits are linked to Jersey RPI). The less matched the investment strategy is, the greater the risk that the assets may not move in line with the value of benefits.
- Assumption changes – the risk that changes to the actuarial assumptions or method may increase the assessed value of liabilities.
- Inflation risk – the risk that inflation is higher than assumed (which could be due to changes in the definition of Jersey RPI), increasing the pensions that need to be paid.
- Liquidity risk – the risk that cashflows are higher than expected as members commute more than is assumed or take transfer values, possibly leading to the sale of assets at inopportune times.
- Longevity risk – the risk that members could live longer than foreseen, for example, as a result of a medical breakthrough. This would mean that benefits are paid for longer than assumed, resulting in a higher cost of providing the benefits.
- Employer covenant risk – the risk that employers do not pay the contributions required under the Orders.
- Membership changes – the risk that changes in recruitment or admission policies, or other changes, increase the average cost of benefits. For example, an increase in the average age of the membership would increase the cost of providing the promised benefits.

- Options for members – the risk that members may exercise options resulting in unanticipated extra costs. For example, members could swap less of their pension for cash at retirement than is assumed.
- Legislative risk – the risk of unanticipated adverse changes to the legislative environment, e.g. changes to anti-discrimination law or tax changes which result in extra costs for the Fund.
- Other risks – issues relating to climate change and other environmental risks as well as long-term uncertainty around geopolitical, societal and technological shifts may also impact on the funding and investments of the Fund.

Risk mitigation

The Management Board takes an integrated approach to managing the Fund's risks. In particular, some actions taken to mitigate the above risks include:

- Surplus retention – the surplus at this valuation has been retained as a cushion against later adverse experience.
- Regular review of investment strategy – A review of the investment strategy is carried out at least every 3 years. The reviews ensure that all risk including environmental, social and corporate governance risk inherent in the investment strategy continues to be appropriate given the maturity and funding position at that time.
- Monitoring investment performance – investment performance is monitored regularly.
- Assumption setting - A robust process for determining valuation assumptions, including consultation with the Jersey Chief Economic Adviser and the Jersey Chief Statistician regarding Jersey inflation and pay increases, helps mitigate investment and inflation risks but the key risk remains that actual experience may be worse than assumed so regular monitoring is important. Longevity risk is mitigated by the use of mortality assumptions which reflect Fund experience and an allowance for future improvements in mortality rates based on current views at the valuation date.
- Regular monitoring of the funding position - the funding position is monitored regularly and considered at quarterly meetings of the Management Board. Actions that might be taken include bringing forward a valuation (if the position is significantly worse than expected) or reducing the risk inherent in the current investment strategy (if the position is significantly better than expected).
- Member options – the terms for member options are set based on the assumptions adopted for the latest completed valuation (other than commutation and active early retirement, where the terms are fixed in the Regulations). This means that benefit options (other than commutation and active early retirement) will be effected on a basis that is broadly cost-neutral in relation to the Fund's finances. If there are significant changes to market conditions in between valuations then the effect of this would be addressed at the following valuation.

Quantifying the risks

If experience is in line with the assumptions then we estimate that the funding ratio will not change materially over the 3-year period until the next valuation. However, the funding ratio is very sensitive to changes in the assumptions.

To help the Management Board understand the susceptibility of the funding position to changes in the valuation assumptions, we have considered the hypothetical impact on the liabilities of a reduction in future investment returns relative to inflation.

- A 1% p.a. decrease in the assumed rate of future investment returns at all durations (or a 1% p.a. increase in the inflation assumption) reduces the funding ratio by approximately 23% (to 95%).
- If longevity expectations increase such that life expectancy increases by around 1 year, then the impact on the funding ratio would be a reduction of around 4% (to 114%).

Investment strategy

The Fund's liabilities are influenced by Jersey inflation either directly via pension increases or indirectly via pay increases. The assets that most closely match the Fund's liabilities are index linked gilts and investment grade derivatives. However, a large proportion of the Fund's assets are invested in asset classes such as equities which are expected to produce higher returns over the long term than those more closely matching assets.

The Management Board recognises the degree of risk, as well as the potential reward that this holds for the Fund. In particular the financial position of the Fund can be affected by sudden (or gradual) changes in market values of return seeking assets, changes in expected future returns and/or changes in inflation (or expected future inflation).

The investment strategy of the Fund is set by the Management Board and is kept under regular review.

Summary

In summary, the Fund is highly susceptible to:

- Equity markets (or other assets) falling or inflation rising;
- A reduction in future expected investment returns or an increase in inflation expectations; and
- Members living longer than expected.

Summary and conclusions

The surplus in the Fund at 31 December 2024 is £130.8M, equivalent to a funding ratio of 118.0%. We recommend that this surplus is retained as a buffer against future adverse experience.

The headlines at the valuation date are:

- There is a past service surplus of £164.8M.
- The overall surplus, after allowing for the anticipated shortfall in future contributions, is £130.8M. This corresponds to a funding ratio of 118.0%.

The surplus of £130.8M will need to be dealt with in accordance with the terms of the Fund's Orders.

Developments since the valuation date

The funding position is estimated to have worsened slightly between the valuation date and the latest quarter-end date, 31 December 2025. This is due mainly to a decrease in expected future investment returns.

Dealing with the surplus

Article 18(4) of the Teachers' Superannuation (Administration) (Jersey) Order 2007 requires the Chief Minister, within 3 months of this report being laid before the States of Jersey, to consult with the Management Board and to submit to the States proposals for disposing of the surplus. The proposals may consist of (but are not limited to) the following:

- If the surplus appears to be of a temporary nature, a recommendation that no action should be taken;
- The retention of a surplus no larger than the Actuary advises is a prudent reserve; or
- An increase in the benefits under the Fund.

Our advice to the Management Board is that the surplus of £130.8M is no larger than we would advise is a prudent reserve against future adverse experience. In particular, this takes account of the following:

- The funding strain expected when new members join the Fund, due to contributions being lower than the cost of accrual; and
- The volatility inherent in the value of the Fund's assets relative to liabilities.

We therefore recommend the surplus is retained as a buffer against future adverse experience.

Further information

Appendix 1: Scope of advice

This report has been requested by the Management Board. It has been prepared under the terms of the Agreement between Aon Solutions UK Limited (formerly Aon Hewitt Limited) and the Management Board, on the understanding that it is solely for the benefit of the addressee.

Unless prior written consent has been given by Aon, this report should not be disclosed to or discussed with anyone else unless they have a legal right to see it.

Notwithstanding such consent, Aon does not accept or assume any responsibility to anyone other than the addressee of this report.

TAS compliance

This report, and the work relating to it, complies with 'Technical Actuarial Standard 100: General Actuarial Standards' ('TAS 100') and 'Technical Actuarial Standard 300: Pensions' ('TAS 300').

The compliance is on the basis that the Management Board is the addressee and the only user and that the report is only to be used as a summary of the outcome of the valuation. If you intend to make any other decisions after reviewing this report, please let us know and we will consider what further information we need to provide to help you make those decisions.

Appendix 2: Provisions of Fund

Orders

The Fund is governed by Orders made under the Teachers' Superannuation (Jersey) Law 1979 (as amended). At the valuation date, the provisions of the Fund were specified in the following Orders, namely:

- The Teachers' Superannuation (Existing Members) (Jersey) Order 1986 – known as the Existing Members Order
- The Teachers' Superannuation (New Members) (Jersey) Order 2007 – known as the New Members Order
- The Teachers' Superannuation (Administration) (Jersey) Order 2007 – known as the Administration Order

Teachers first employed on or after 1 April 2007 receive benefits under the New Member Order.

Teachers first employed before 1 April 2007 receive benefits under the Existing Members Order. Members with benefits under the Existing Members Order who re-join on or after 1 April 2007 build up further benefits under the Existing Member Order unless they elect within 4 weeks of joining to become a member under the New Member Order.

Main features

The main features of the Fund in force at the valuation date are summarised on the following pages.

	Existing Members Order	New Members Order
Normal Retiring Age	60	65
Average Salary	Salary received in best continuous period of 12 months during the 3 years prior to leaving service or employment.	Salary received during the best successive 365 days in the 3 years prior to leaving service or retirement
Normal Retirement Pension	1/80th of average salary for each year of service	1/80th of average salary for each year of service
Cash at retirement	A tax-free cash sum of 3/80ths of average salary for each year of service	Option to exchange up to 30% of commencing pension for a tax-free cash sum of £13.50 for each £1 of pension given up

	Existing Members Order	New Members Order
Optional Retirement	No provision for early retirement in normal health	Generally any time up to 5 years before normal retiring age subject to 2 years' pensionable service. Members' pensions are reduced by 2.4% for each year the pension is being taken early
Ill-Health Retirement	Subject to 2 years' service, immediate benefits on grounds of serious ill health or incapacity. Benefits based on enhanced pensionable service as set out in Article 52(3) of the Existing Members Order	Subject to 2 years' qualifying service, immediate benefits on grounds of serious ill health or incapacity. Benefits based on enhanced pensionable service as set out in Article 18 of the New Members Order
Death in service	1. Cash sum payable to the personal representative of the deceased member (i.e. the estate): a. Less than 5 years' reckonable service: a cash sum of 2/5ths of current salary for each year of service b. At least 5 years' reckonable service: a cash sum of twice current salary 2. Spouse's Pension (widow / widower / civil partner): 50% of member's pension based on the pension which the member would have received on immediate ill-health retirement. Pensions are only payable to widowers in respect of service after 6 April 1988. An increased short term pension is payable for the first 3 months after the date of death (in most cases)	1. Cash sum: a. Less than 5 years' qualifying service: a cash sum of 2/5ths of current salary for each year of service b. At least 5 years' qualifying service: a cash sum of twice current salary 2. Spouse's Pension (widow / widower / civil partner): Subject to 2 years' qualifying service: 50% of member's pension, based on salary at death and pensionable service to normal retiring age

	Existing Members Order	New Members Order
	3. Dependant's Pension: An amount equal to a spouse's pension may be paid to an adult dependant – except that no dependant's pension can be awarded where a spouse's or child's pension is payable 4. Children's Pension: A pension is payable to each eligible child. The total payable is restricted to the equivalent of the spouse's pension, but no one child may receive more than half that sum. The child's pension is increased if a spouse's pension is not payable	3. Dependant's Pension: Subject to 2 years' qualifying service: an amount equal to a spouse's pension may be paid to an adult dependant – except that no dependant's pension can be awarded where a spouse's pension is payable 4. Children's Pension: Subject to 2 years' qualifying service, a pension is payable to each eligible child. The total payable is restricted to the equivalent of the spouse's pension, but no one child may receive more than half of that sum. The child's pension is doubled if a spouse's or dependant's pension is not payable
Death after Retirement	1. Spouse's Pension (widow / widower / civil partner): 50% of member's pension in respect of service for which a spouse's pension is payable according to Article 64. An increased pension is payable for the first 3 months after the date of death (in most cases) 2. Dependant's Pension: An amount equal to a spouse's pension may be paid to an adult dependant – except that no dependant's pension can be awarded where a spouse's or child's pension is payable	1. Spouse's Pension (widow / widower / civil partner): From date of death, 50% of member's pension, ignoring any reduction for lump sum taken at retirement 2. Dependant's Pension: An amount equal to a spouse's pension may be paid to an adult dependant – except that no dependant's pension can be awarded where a spouse's pension is payable

	Existing Members Order	New Members Order
	3. Children's Pension: A pension is payable to each eligible child. The total payable is restricted to the equivalent of the spouse's pension, but no one child may receive more than half that sum. The child's pension is increased if a spouse's pension is not payable 4. Cash sum For members with less than 10 years' reckonable service, a lump sum equal to 5 times the annual pension less the sum of the pension payments made to the member. For members with 10 or more years' reckonable service, a lump sum equal to the member's average salary less the sum of the pension and cash payments made to the member	3. Children's Pension: A pension is payable to each eligible child. The total payable is restricted to the equivalent of the spouse's pension, but no one child may receive more than half that sum. The child's pension is doubled if a spouse's or dependant's pension is not payable 4. Cash sum None
Leaving Service	Refund of contributions with 3% p.a. interest (not available if left with 5 or more years' qualifying service) or a deferred pension payable at normal retiring age or a transfer value payable to a new employer's pension scheme or to a personal pension scheme On future re-entry to the Fund, earlier service may be aggregated with current service	Refund of contributions with 3% p.a. interest (not available if left with 5 or more years' qualifying service) or a deferred pension payable at normal retiring age or a transfer value payable to a new employer's pension scheme or to a personal pension scheme On future re-entry to the Fund, earlier service may be aggregated with current service

	Existing Members Order	New Members Order
Voluntary Early Retirement	No provision	Subject to being over age 55 (or 50 in special circumstances) and not being entitled to an immediate pension from the Fund, the employer may offer a supplementary pension equal to the member's deferred pension entitlement (which may be enhanced), payable until the date the deferred pension is due
Additional Voluntary Contributions	May be paid to purchase extra years of service (there is also a small closed group of members who pay AVCs on a money purchase basis)	
Increases to Pensions	Annual increases in line with the Jersey RPI, but not guaranteed where actuarial review has disclosed the financial condition of the Fund is no longer satisfactory The first increase will be proportionate to the period of retirement in the first year	
Contributions by members	6% of salary	5% of salary
Contributions by Employers	10.8% of salary	

Appendix 3: Membership data

Active members at 31 December 2024 (31 December 2021)

		Number	Average age	Total salaries (£000 p.a.)	Average salaries (£ p.a.)	Average service (years)
Men	**2024**	**401**	**45.1**	**29,878**	**74,509**	**12.0**
	2021	370	44.8	23,388	63,211	12.6
Women	**2024**	**937**	**43.0**	**65,507**	**69,912**	**11.0**
	2021	878	41.8	50,646	57,683	11.0
Total	**2024**	**1,338**	**43.6**	**95,385**	**71,289**	**11.3**
	2021	1,248	42.6	74,034	59,322	11.5

The average ages shown are unweighted.

Figures shown are full-time equivalent salaries at 1 January 2025 and 1 January 2022 (2022 figures exclude allowance for the general salary increase at 1 January 2022 - the general increase as at 1 January 2022 was assumed to be equal to the 2021 valuation assumption).

Average service includes added years arising from additional voluntary contributions.

Deferred pensioners at 31 December 2024 (31 December 2021)

		Number	Average age	Total pensions (£000 p.a.)	Average pension (£ p.a.)
Men	**2024**	**198**	**50.5**	**1,515**	**7,654**
	2021	173	51.6	1,135	6,559
Women	**2024**	**446**	**50.9**	**2,674**	**5,996**
	2021	397	51.4	1,886	4,751
Total	**2024**	**644**	**50.8**	**4,190**	**6,506**
	2021	570	51.5	3,021	5,300

The average ages shown are unweighted.

The pension amounts shown above include pension increases up to and including the following 1 January (i.e. 1 January 2025 for the 2024 valuation).

Pensioners at 31 December 2024 (31 December 2021)

		Number	Average age	Total pensions (£000 p.a.)	Average pension (£ p.a.)
Men	**2024**	**385**	**73.8**	**11,628**	**30,203**
	2021	383	73.1	9,610	25,091
Woman	**2024**	**688**	**73.3**	**15,542**	**22,589**
	2021	662	72.1	12,368	18,683
Dependants	**2024**	**117**	**79.3**	**1,579**	**13,494**
	2021	100	77.3	952	9,523
Total	**2024**	**1,190**	**74.1**	**28,749**	**24,158**
	2021	1,145	72.9	22,930	20,026

The average ages shown are unweighted.

The pension amounts shown above include pension increases up to and including the following 1 January (i.e. 1 January 2025 for the 2024 valuation).

“Dependants” consists of spouses, civil partners, children and adult dependants in receipt of a pension.

Appendix 4: Rationale for best-estimate assumptions

Best-estimate assumptions

Following advice from ourselves, the Management Board has confirmed that the assumptions adopted to determine the **funding target** should be best-estimate assumptions. The rationale for using best-estimate assumptions is discussed below.

Range of assumptions

The results of a valuation are sensitive to the assumptions made and therefore the choice of appropriate assumptions is important.

There is a wide range of assumptions that could be used ranging from optimistic, through best-estimate to cautious:

- Under optimistic assumptions the future outcome is more likely to be worse than assumed;
- Under cautious assumptions the future outcome is more likely to be better than assumed;
- Under best-estimate assumptions the future outcome is just as likely to be better or worse than assumed.

The Management Board has a duty to protect members' benefits. Therefore it would not be appropriate to use optimistic assumptions when determining the adequacy or otherwise of the contributions to support the benefits payable under the Scheme.

This leaves a choice of assumptions in the range from best estimate to cautious. The more cautious the valuation assumptions, the greater the valuation liabilities will be and consequently the greater the possibility of members' benefits or future pension increases having to be cut back (or members' or employers' contributions having to be increased) if there is a deficiency.

Advantages of using best-estimate assumptions (and disadvantages of using more cautious assumptions)

The advantage of using best-estimate assumptions is that it complies with the principle of only cutting back on the members' pensions where this appears genuinely necessary.

Using more cautious assumptions could lead to a larger deficiency (or to a deficiency which would otherwise not exist), which may potentially trigger reductions to benefits or future pension increases (or increases to members' or employers' contributions). In the long term, given the extra returns targeted under the Scheme's investment strategy, there would be quite a high probability that experience would prove more favourable than assumed, leading to surpluses at later valuations. Therefore, using more cautious assumptions may result in cutting back benefits (or increasing contributions) in a way that with hindsight was unnecessary, which may impact unfairly on certain generations of member.

Disadvantages of using best-estimate assumptions (and advantages of using more cautious assumptions)

The disadvantage of using best-estimate assumptions is that it leads to a larger chance of actual scheme experience being worse than assumed than if more cautious assumptions are used. This increases the likelihood of deficiencies arising at later valuations which have to be dealt with through future reductions in benefits, or by increasing members' or employers' contributions. If experience is adverse, the reductions in benefits (or increases in contribution) eventually required may need to be bigger at that time than if they had been made earlier (and therefore impacting disproportionately on a later “generation” of members). Although there is no provision in the Orders for the Fund to be discontinued, this could be particularly problematic if the Fund were discontinued (e.g. following a deterioration in the Government of Jersey’s financial strength). Significant benefit reductions may be required in this situation.

Recommendation

Following advice from ourselves, the Management Board has confirmed that the assumptions used to determine the **funding target** should be best-estimate because:

- It complies with the principle of only cutting back on members' pensions where this appears genuinely necessary, and
- The Management Board does not consider the risks that the financial strength/commitment of the Government of Jersey might deteriorate are sufficient to warrant the use of more cautious assumptions.

Appendix 5: Valuation method

Valuation method

The valuation method for the main valuation calculations is known as the "aggregate funding" method. To establish whether there is a surplus or deficiency under this methodology:

- the value of past service benefits in respect of all current members (i.e. pensioners, deferred pensioners and current active members), plus
- the value of future service benefits for current active members;

is compared with

- the market value of the Fund's existing assets, plus
- the value of future contributions due from and in respect of current active members.

In assessing whether there is a surplus or deficiency, no allowance is made for the financial impact of admitting new entrants.

Value of liabilities and future contributions

To calculate "the value" of the benefits payable we use our assumptions to estimate the payments which will be made from the Fund throughout the future lifetimes of current active members, pensioners, deferred pensioners and their dependants. We then calculate the amount of money which, if invested now, would be sufficient to make these payments in future, using our assumptions about investment returns. The same technique is adopted to value future contributions to the Fund.

Value of assets

We have taken the assets into account at their market value.

Appendix 6: Financial assumptions

Introduction

In this appendix we describe the financial assumptions. The financial assumptions that have been chosen are consistent with the **funding target** and each assumption is intended to represent a reasonable best estimate of the future.

When assessing a set of financial assumptions, greater importance should be attached to the relative differences between the assumptions, rather than to the individual assumptions in isolation. This is because the differences have a greater effect on the results of the valuation than the absolute values of each assumption.

Discount rate (investment return)

The most important individual assumption in terms of its impact on the overall valuation results is the choice of **discount rate**, i.e. assumed future investment returns. The discount rate is used to value payments due out of the Fund (benefit payments) and into the Fund (future contributions).

For valuing the liabilities, an assumption which could be described as “low risk” would be to discount future benefit payments at the market yields available on index-linked gilts at the valuation date. This approach recognises that a broadly matching asset for the Fund’s cash flows is obtained by investing in index-linked gilts of appropriate term.

It is common for UK occupational schemes to value the liabilities using a higher discount rate than the returns available on gilts. The consequence of using a higher discount rate is that a lower value is placed on the liabilities. This does not mean that the actual cost of providing the benefits is reduced, but it does result in an increase in disclosed surpluses or decrease in disclosed deficiencies.

The **funding target** adopted requires that the assumptions chosen should be reasonable best estimates. In principle, we need to set the discount rate at this valuation by considering the best estimate returns available on the Fund's invested assets, over the period starting now and ending in the long-term future. The expected returns depend critically on what asset classes are assumed to be held.

The **discount rate** structure adopted for the Fund valuation is as follows:

- The initial discount rate is equal to a best-estimate investment return based on the strategic investment benchmark as at the valuation date, resulting in an initial discount rate of 6.5% p.a..
- The discount rate applies until a date when the Fund is anticipated to reduce risk in the investment strategy (a period of 12 years has been assumed for this valuation). It is assumed that the discount rate will reduce immediately at this point.
- The long-term discount rate is based on a best-estimate return on the assumed long-term investment strategy. A broad allowance has been made for future de-risking of the investment strategy by assuming that the discount rate will reduce by 1.0% p.a. after 12 years, resulting in a long-term discount rate of 5.5% p.a..

The same discount rate has been used for valuing future contributions.

Increases to pensions in payment and deferred pensions

The Fund provides for annual increases to pensions in payment and deferred pensions in line with increases in the Jersey RPI.

In light of the proposed changes to the calculation methodology for UK RPI from 2030, and consistent with the approach adopted for the 2021 valuation, we have determined the Jersey RPI assumption relative to our best-estimate for UK CPI.

The Jersey and UK economies have a tied currency and the same interest rates and so over the medium to long term, underlying Jersey inflation can be expected to be fairly close to UK inflation. However, although the methodology used for calculating UK CPI is similar to the methodology used for calculating Jersey RPI, there are differences between the constituents used and their respective weightings. This, together with differences in supply and demand, can lead to long-term differences between UK CPI and Jersey RPI.

Recent experience shows that Jersey RPI has generally been higher than UK CPI and we have seen a sustained period where the difference has been higher than the 0.6% assumed for the 2021 valuation. The average difference over the last 10 years has been 0.9% p.a..

Reflecting more recent and long-term experience, we have assumed Jersey RPI is equal to UK CPI plus 0.75% p.a.. Aon's best-estimate of UK CPI over the long-term period consistent with the duration of the liabilities is 2.1% p.a.. and so the Jersey RPI assumption has been set equal to 2.85% p.a..

We have also allowed for the fact that there is a floor of 0% on the Jersey RPI inflation used in determining the assumption for pension increases in deferment and in payment. Allowing for the possibility of negative Jersey RPI based on a best-estimate of the variation in inflation from year to year gives an assumption for pension increases in deferment and in payment of 2.9% p.a..

General salary increases

In recent years, pay awards for Fund members have generally been close to or below Jersey RPI.

However taking on board recent experience of salary increases (relative to inflation), we have continued to assume general salary inflation equal to 0.5% p.a. above Jersey RPI, resulting in an assumption of 3.35% p.a..

Promotional salary increases

In addition to the allowance for general salary increases, an explicit age-related promotional scale was adopted at the 2021 valuation (a different scale is used for males and females).

Experience over 2021-2024 suggests that promotional increases have been higher than assumed at ages 25-44 and broadly in line with those assumed at ages 45 and above.

In light of this experience, we have increased the allowance for promotional salary increases at younger ages (those below age 45) and retained the allowance for promotional salary increases at older ages (those aged 45 and above).

The allowance included for promotional salary increases (in addition to general salary increases) at specimen ages is shown below:

Age	Men (p.a.)	Women (p.a.)
20	7.2%	7.2%
25	5.4%	5.4%
30	3.7%	3.2%
35	2.4%	2.1%
40	1.6%	1.6%
45	0.5%	0.8%
50	0.5%	0.8%
55	0.5%	0.8%
59	0.5%	0.8%
60	0.5%	0.0%

Expenses

Excluding investment-related expenses (which are taken into account in the net investment return assumption), we have analysed the expenses of administering the Fund during 1 January 2022 to 31 December 2024 and compared this with the assumption of 1.2% of salaries adopted at the 2021 valuation.

Our analysis showed that the costs of administering the Fund have been slightly lower over the period and we have therefore adopted an assumption of 1.1% of salaries for the 2024 valuation.

Appendix 7: Demographic assumptions

Introduction

In this appendix, the demographic assumptions are described and we comment on how they compare with actual experience. The demographic assumptions that have been chosen are consistent with the **funding target** set out in the "Valuation approach" section of this report and each assumption is intended to represent a reasonable best estimate of the future.

Mortality rates before retirement

For the 2021 valuation, it was assumed that pre-retirement mortality was in line with 70% of the standard tables AXC00.

The experience over the period from 1 January 2022 to 31 December 2024 shows there has been 1 death before retirement.

As there is insufficient data to carry out an analysis, and this assumption has a minimal impact on the liabilities, we have retained the assumption for the 2024 valuation.

Specimen rates of death before retirement assumed at this valuation are set out below (per 100,000 members):

Age	Men	Women
30	20	23
35	30	34
40	48	49
45	80	68
50	138	101
55	215	173
60	323	274

Mortality rates after retirement – current mortality rates

We have analysed the mortality experience of the Fund over the eleven year period from 1 January 2014 to 31 December 2024.

The 2021 valuation assumed that mortality would be in line with the SAPS S3 "All lives" tables with a scaling factor of 90% for males and 85% for females.

For the 2024 valuation, we have updated to the latest tables and assumed current mortality rates in line with the SAPS S4 "All lives" tables (S4PXA) with 90% and 75% scaling factors for males and females respectively.

For males, this represents slightly heavier mortality (i.e. higher death rates) than assumed in the 2021 valuation, to partially reflect the heavier mortality experienced over the analysis period.

For females, this represents broadly similar mortality to that assumed in the 2021 valuation, reflecting the broadly similar amount of female deaths over the analysis period compared with expected deaths.

Taking into account the nature of the workforce, we believe that these are reasonable best-estimate assumptions.

Mortality rates after retirement – allowance for improvements

It is not straightforward to make an assumption about future rates of mortality improvement. In forming a best-estimate assumption, we believe it is appropriate to have regard to:

- Current trends;
- Long-term trends;
- Observed generational differences, which suggest faster improvements within certain generations of pensioner (known as the cohort effect); and
- The outlook for future medical advances.

However, the allowance made must inevitably be subjective.

In determining an allowance for future improvements in life expectancy, it makes sense to consider the near future and longer term separately:

- Recent improvements in life expectancy are likely to be the best guide for what will happen in the near future and so improvements in the near future are best modelled by continuing recent trends.
- The forces driving longer term improvements may be very different to those behind recent improvements. This means that the assumption for long-term improvements is more subjective and should take into account analysis of historic long-term rates of improvements (and what has caused them) as well as opinions on what might happen in the future.

In November 2009, the Continuous Mortality Investigation (CMI), a group set up by the UK Actuarial Profession, published its Mortality Projections Model. The model uses complex methods for taking recent rates of mortality improvements and blending these to the long-term rate of improvements. The latest annual update to the model available at the time of producing these valuation results, the 'CMI_2023' model, was published in April 2024. Projections from this version of the CMI's model are known as the 'CMI_2023' projections. Apart from the long-term rate of improvements, the CMI has provided default values for the model inputs such as the smoothing parameter (S_κ) and the initial addition to mortality (A) and the weight parameters (w), which are known as the 'Core Projections'.

Aon's analysis suggests that future long-term improvements in mortality rates have reduced since the 2021 valuation, with a reasonable best-estimate range being between 0.75% p.a. and 1.75% p.a. for both men and women (compared to a range of 1.00% p.a. and 2.00% for both men and women previously).

We have therefore assumed future improvements in mortality rates in line with the CMI_2023 Core Projections model with S_κ=7.0, A=0.5%, core weight parameters and a long-term rate of improvement of 1.25% p.a..

Retirement in normal health

We have assumed that members will retire at the ages set out in the following table:

Membership Category	Normal Retirement Age	Assumed Age at Retirement
Existing Members (actives)	60	61
Existing Members (deferreds)	60	60
New Members (actives)	65	63
New Members (deferreds)	65	65

The analysis of the retirement experience over the period 2021-2024 for the Existing Members showed that active members retire on average slightly later than previously assumed and deferred members broadly retire when assumed. We have therefore increased the assumed retirement age for active Existing Members from age 60 to age 61, and retained the 2021 valuation assumption for deferred Existing Members.

There is only a small amount of experience data (10 retirements in normal-health) for New Members over the period from 1 January 2022 to 31 December 2024. This is insufficient for a credible experience analysis. We have therefore retained the assumptions used for the 2021 valuation for New Members.

Retirement in ill-health

Over the period from 1 January 2022 to 31 December 2024, there have been 6 ill-health retirements. As this is insufficient data for a credible analysis, we have not carried out a detailed analysis.

We have therefore retained the assumptions used for the 2021 valuation.

Specimen rates of retirement due to ill-health assumed at this valuation are set out below (per 100,000 members):

Age	Males	Females
30	16	24
35	50	50
40	120	83
45	310	195
50	866	476
55	1,487	935

Allowance for commutation

The 2021 valuation made allowance for New Members to commute 20% of their pension on retirement (there is no provision for Existing Members to commute pension for an additional lump sum).

There have been only 11 retirements from this category during 1 January 2022 to 31 December 2024 so the amount of data is not sufficient for the analysis to be statistically credible. As there is much more experience of commutation rates in the

Public Employees Pension Fund ('PEPF'), we have used the experience from PEPF as a guide in the absence of sufficient specific data for the Fund.

Based on our latest analysis of the experience in PEPF we have therefore assumed that New Members will commute 19% of their pension on retirement (compared with 20% assumed at the 2021 valuation).

Withdrawal rates

We have carried out an analysis comparing the actual number of withdrawals over the period from 1 January 2022 to 31 December 2024 with the expected number of withdrawals. Our analysis showed that there have been:

- generally, more withdrawals than expected at younger ages (those aged 20-44); and
- broadly as expected withdrawals (compared to the 2021 valuation assumption) for older ages (those aged 45 and above).

In light of the higher than expected number of withdrawals at younger ages, we have increased the withdrawal assumption for these ages.

Specimen rates of withdrawal assumed at this valuation are as follows (per 1,000 members):

Age	Withdrawals
30	60
35	48
40	31
45	28
50	32
55	52
59	68
60	0

Family assumptions

Family assumptions cover:

- the proportions of deaths of members and pensioners which give rise to a spouse's, civil partner's or dependant's pension;
- the age difference between the member and spouse/dependant at date of death;
- the proportions of widows and widowers who subsequently get remarried; and
- the allowance for children's pensions.

There is insufficient data to carry out a credible experience analysis for these assumptions.

We have therefore considered the current assumptions having regard to Aon's views of what could be considered a reasonable best-estimate assumption for a typical scheme and have retained the assumptions as follows:

- The proportion married assumption at normal retirement age (i.e. age 60 for Existing Members and 65 for New Members), reducing thereafter in line with spouse's mortality rates, is as follows:

Male Pensioners	Male Non-Pensioners	Female Pensioners	Female Non-Pensioners
90%	87.5%	67.5%	75%

- Male members are assumed to be 3 years older than their spouse/dependant and female members are assumed to be 1 year younger than their spouse/dependant.
- No allowance is made for the remarriage of widows and widowers.
- An allowance for children's pensions is made via a loading of 10% to the liability for spouses' pensions on death before retirement.

Re-entry to active service

The 2021 valuation allowed for deferred members to re-enter active service in future by applying a loading of 0.5% p.a. to the revaluation in deferment assumption. There is insufficient data to analyse the experience but this does not seem an unreasonable allowance, as our understanding is that many teachers do re-enter service and are entitled to opt for final salary linkage on their former deferred benefits (which may generate additional liabilities). We have therefore retained this assumption for the 2024 valuation.

Appendix 8: Summary of assumptions

Financial assumptions

Assumption	
Discount rate	6.5% p.a. until 31 December 2036, reducing immediately to 5.5% p.a. with effect from 1 January 2037
Jersey RPI inflation	2.85% p.a. i.e. UK CPI inflation plus 0.75% p.a.
Rate of salary increases	3.35% p.a. (i.e. Jersey RPI plus 0.5% p.a.) plus promotional increases
Rate of pension increases in deferment	2.9% p.a. plus 0.5% p.a. allowance for future re-entry into active service
Rate of pension increases in payment	2.9% p.a.
Fund expenses (other than investment related expenses)	1.1% of members' salaries

Demographic assumptions

Assumption	
Pre-retirement mortality	Allowance is made for death in service and in deferment before retirement (see sample rates in Appendix 7)
Post-retirement mortality	SAPS 'S4' "All lives" tables (S4PMA for males and S4PFA for females) with 90% and 75% scaling factors for males and females respectively allowing for year of birth Improvements from 2017 are assumed to be in line with the CMI_2023 projections model with S_k=7.0, A=0.5%, core weight parameters and a long-term rate of future improvements in mortality of 1.25% p.a.
Withdrawals	Allowance is made for withdrawals from service in line with a bespoke withdrawal table (see sample rates in Appendix 7)
Retirement age	Allowance has been made for a proportion of active members to retire in normal health and in ill-health (see tables in Appendix 7) Deferred members are assumed to retire at the earliest age at which they can retire with unreduced benefits
Commutation	New Members are assumed to commute 19% of their pension on retirement
Family details	90% of male pensioners and 67.5% of female pensioners are assumed to be married at retirement (reducing thereafter in line with spouse's mortality rates) 87.5% of male non-pensioners and 75% of female non-pensioners are assumed to be married at retirement (reducing thereafter in line with spouse's mortality rates) Male members assumed to be 3 years older than their dependants and female members 1 year younger than their dependants No allowance for remarriage of widows and widowers 10% loading to spouses' pensions on death before retirement to allow for children's pensions

Appendix 9: Discontinuance test

In line with previous valuations, we have considered the financial position of the Fund on an approximate basis in the hypothetical circumstance of discontinuance.

Even though the Orders governing the Fund do not envisage the Fund's discontinuance (i.e. the future accrual of benefits and payment of contributions into the Fund being discontinued), it is our practice at valuations also to review what the financial position of the Fund would have been had discontinuance occurred on the valuation date. This is done by comparing the value of the basic accrued benefits as at 31 December 2024 with the value of the Fund's existing assets at that date.

By basic accrued benefits we mean:

- benefits in respect of current pensioners and their spouses and dependants;
- retirement and death benefits in respect of former employees entitled to deferred pensions;
- accrued retirement and death benefits in respect of current members based on pensionable pay at 31 December 2024, no allowance being made for pay increases after that date.

We have taken the value of the basic accrued benefits on discontinuance at the valuation date as an estimate of the terms that might be offered by insurance companies for determining the cost of immediate and deferred annuities, plus a provision to cover expenses.

In practice, if the Fund were ever to be discontinued, it is possible that the Fund would continue as a closed fund.

Future pension increases

The Orders governing the Fund provide for annual increases in line with the Jersey RPI at present, although lower increases may be paid where an actuarial review has disclosed that the financial condition of the Fund is no longer satisfactory. We have as a starting-point assumed that in a discontinuance situation the future pension increases provided would be equal to the minimum increases specified in the Orders, i.e. nil increases.

However, we have also estimated the discontinuance funding ratio assuming full pension increases in line with inflation were provided. In estimating this, we have assumed that increases based on UK RPI would be provided. We have not assumed increases in line with Jersey RPI as these would be, at best, extremely expensive, and it is unlikely to be possible to purchase annuities based on such increases in the market.

Derivation of assumptions

In setting the assumptions for the discontinuance test we have taken into account actual buy-out terms available in the market at the valuation date. However, we have not carried out a detailed analysis of the cost of risks that might apply specifically to the Fund and so our estimate is only a guide. Market changes to both interest rates, and demand and

supply for this type of business, mean that no reliable estimate can be made, and that ultimately the actual true position can only be established by completing a buy-out.

We have set the **discount rate** for this estimate equal to Aon's Bulk Annuity Market Monitor curves for pensioners and future pensioners.

The assumption for increases in UK RPI reflects term-dependent rates derived from the RPI swap markets. Members are assumed to immediately withdraw from service with entitlement to deferred pension and no allowance is made for commutation. The mortality assumption is as for the main valuation basis except the long-term rate of future improvements in mortality is assumed to be 1.5% p.a..

Expenses

The reserve for expenses allows for deductions to allow for the cost of forced sales of equity, bond and property holdings, an allowance for the management expenses associated with winding up the Fund, and an estimate of the per member charges expected to be levied by an insurance company on buy-out.

Discontinuance test results

The discontinuance funding ratio (i.e. assets as a percentage of the value of the accrued benefits as described above) at 31 December 2024 differs depending on the allowance for future pension increases, as follows:

- 152% if no allowance were made for future pension increases; and
- of the order of 76% if future pension increases in line with UK RPI were to be allowed for.

Comparison with discontinuance funding ratio at previous valuation

The discontinuance funding ratio at the 2021 valuation was 101% based on making no allowance for future pension increases.

Glossary

Discount rate

This is used to place a present value on a future payment. A 'risk-free' discount rate is usually derived from the investment return achievable by investing in government gilt-edged stock. A discount rate higher than the 'risk-free' rate is often used to allow for some of the extra investment return that is expected by investing in assets other than gilts.

Funding ratio

This is the ratio of the Fund's assets to the resources that would be required to meet the **funding target**.

Funding target

This is that, based on best estimate assumptions, the assets and future contributions should be sufficient over the long term to support the benefits payable from the Fund in respect of the current members of the Fund. The resources of the Fund required to meet the **funding target** are determined by assessing the **present value** of the benefits that will be paid from the Fund in the future, based on pensionable service prior to the valuation date and including full future indexation in line with the Jersey RPI, plus the extent to which the **present value** of future service benefits for current members including such indexation (plus associated allowance for future expenses) exceeds the **present value** of anticipated future service contributions for such members.

Present value

Actuarial valuations involve projections of pay, pensions and other benefits into the future. To express the value of the projected benefits in terms of a cash amount at the valuation date, the projected amounts are discounted back to the valuation date by a discount rate. This value is known as the present value. For example, if the discount rate was 6% a year and if we had to pay a lump sum of £1,060 in one year's time the present value would be £1,000.

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