Submission to the Health and Social Security Panel: safeguarding the reserve for Jersey's Old Age Pension

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Submitted by: Alisdair Macleod and Caroline Anderson, members of the public

Alisdair Macleod: Chartered Accountant; ten years working for the States of Jersey, most recently as Finance Director, Taxes Office; five years at the European Commission, where his responsibilities included supervising the accounting treatment of European Institutions' pensions.

Caroline Anderson: Chartered Public Finance Accountant; 30 years working for the States of Jersey in a number of roles, including Finance Director at Social Security, and Pensions and Investments Manager in the States Treasury.

Budget under consideration: Proposed Budget 2027–2030 (P.73/2026), debate planned for 8 December 2026

Summary: what we are asking the Panel to recommend

The Minister for Social Security is responsible for the Social Security Fund, which pays pensions and other contributory benefits; the Social Security (Reserve) Fund ("the Reserve Fund"), which holds the balances built up in it; and the two reviews due in spring 2027. In this submission, "the Funds" means the two together. This submission is about the rules that protect the money set aside for Jersey's Old Age Pension. We are also submitting the Briefing to States Members, which was emailed to all States Members on 28 October 2026.

The Government's own staff pension fund and the Strategic Reserve are both protected by written rules. The Reserve Fund, at £2.7 billion about twice the size of the Strategic Reserve, is protected by much less. We ask the Panel to recommend:

Before the debate on 8 December

- **A.** No further money taken from the Reserve Fund to cover the reduced States Grant until the spring 2027 actuarial review has been published.

Commitments for Budget 2028

- **B.** A written funding policy for the Social Security Funds, built on a measure of the Funds' health recommended by the Fiscal Policy Panel, reviewed by that Panel and approved by the States Assembly.
- **C.** Regular, published monitoring against that policy, in a form Islanders can follow.
- **D.** Actuarial figures before every major decision: an actuarial model kept up to date, so that Members and Scrutiny see the effect of a proposal on the Funds before they vote.

Changes to the Law, to be developed with legal and actuarial advice

- **E.** A stronger legal duty for the actuarial review: how often, how soon it is published, what it must cover, and who sets the assumptions.
- **F.** Legal limits on what the Reserve Fund can be used for, a precise definition of its "income", and legal protection for the States Grant against cuts made for the Budget's convenience.

1. Why it matters now

- **Another transfer is up for approval.** The Budget asks the States to approve £42.073 million out of the Social Security (Reserve) Fund in 2027 (proposition paragraph (e), p.100), "to offset the reduction in the States Grant" (p.88). About £397 million was moved for the same purpose between 2020 and 2026, and about £133 million more is planned for 2027–2029 to offset the cut (£153 million of transfers in all, including about £20 million towards pensions in 2029).
- **The independent advice was against it.** Last year the Fiscal Policy Panel said: "Drawdowns from the Social Security Reserve Fund should only be made on the basis of a comprehensive actuarial assessment of future pension liabilities. The decision in Budget 2026 to withdraw funds and cut the contribution to the Fund before the results of the 2025 actuarial review are published is not prudent" (Annual Report 2025, p.6).
- **The evidence arrives after the vote.** The actuarial review and Ministers' strategy review are due in spring 2027 (Budget p.89), after the debate on 8 December.
- **The evidence we have points the wrong way.** When the Government Actuary updated its projections for the 2025–2029 grant reductions, the date the combined Funds are projected to run out moved ten years earlier, from 2082 to 2072, on its central assumptions and at recent levels of migration (R.165/2025, para 16). These are projections, not predictions, and the actuary notes they are "particularly sensitive" to investment returns and migration (para 18). That update made "no updates to reflect experience since 2021" apart from a few items (para 20), and it predates Statistics Jersey's February 2026 population projections. On the same assumption of 325 net arrivals a year, those projections put the number of people aged 65 or over for every 100 of working age in 2080 at about 62 (our calculation from Statistics Jersey's tables), against about 41 in its 2023 projections. The actuary uses its own population projections, so the effect on its figures needs to be assessed.
- **This Panel has met the problem before.** Last year it asked for projections at a range of investment returns. They weren't provided, and the actuary told the Panel it couldn't do the work for Scrutiny because it was under contract to the Government. The Panel found it was "unable to fully scrutinise the projections" (P.70/2025 Com.(3), pp.5–7).

The common thread is that there are no agreed rules for when the Reserve Fund can be drawn on, and no requirement for the evidence to come first. The recommendations below are about fixing that, for this Budget and for every one after it.

2. The safeguards today

Jersey already protects two other pots of public money with written rules. The Reserve Fund holds £2.7 billion, about twice the Strategic Reserve's £1.3 billion; the staff pension fund holds £3.6 billion (end of 2025). Of the three, the Reserve Fund has the fewest rules.

	Strategic Reserve	Government staff pension fund	Social Security (Reserve) Fund
What it can be used for	"a permanent reserve only to be used" in listed circumstances (Budget 2025–2028, p.83 and proposition para (k))	The old final salary scheme's assets built up before 2019 "shall only be used for the purpose of funding the costs of benefits under that scheme" (Reg. 19(1))	"maintained as a reserve for the Social Security Fund" (Article 31(1)). Government refers to a funding policy "established in the late 1990s" (Budget 2026–2029, p.49); we can't find it published
Target or prudent level	30–60% of GVA, on the Fiscal Policy Panel's advice (Budget 2027–2030, p.84)	Valued against its liabilities, with contribution rates adjusted by the actuary (Reg. 3)	None. An "assessment of the level of assets considered to be prudent" has been commissioned (Budget 2026–2029, p.49)
How often valued	Not applicable	At least every 3 years (Reg. 3(1)(a))	In the year before each election, and when the Minister directs (Article 32(1))
When published	Not applicable	To the Minister within 15 months of the valuation date (Reg. 3(3))	"as soon as may be" (Article 32(4)). The review at the end of 2021 was signed in May 2023
Assets set against what is promised	Not applicable	The report must "separately identify the assets and liabilities" (Reg. 3(4)(a))	Projections of money in and out. We can't find a value for the pensions already earned in the last review (R.96/2023)
Who sets the assumptions	Not applicable	The actuary, after consulting the Treasury Minister and the Treasurer (Reg. 4(1))	The Law is silent. The actuary's September 2025 letter on the proposed grant changes used "an updated investment return assumption which you have specified" (R.165/2025, letter of 4 September 2025, para 1)

	Strategic Reserve	Government staff pension fund	Social Security (Reserve) Fund
Taking money out	Only by transfer to another fund under an approved budget or a States decision (Public Finances Law, Article 4(2)), within its stated purpose	Reg. 19(1), above	A States resolution (Article 31(4)). But the Minister can move "income" without one (Article 31(3)), and on legal advice all investment returns since 2005, "c£1.3 billion of the £2.0 billion balance", were counted as income (MD-SOSEC-2023-78, report p.2)

Staff fund: Public Employees (Pension Scheme) (Funding and Valuation) (Jersey) Regulations 2015. Articles are of the Social Security (Jersey) Law 1974 unless stated.

The schemes are different. The staff fund is fully funded; the Old Age Pension is Pay As You Go, with a reserve to help meet the cost of an ageing population. So the point isn't that the Reserve Fund should be funded in the same way. It's that money set aside for Islanders' pensions deserves rules at least as clear as those for the Government's own staff.

Last year the Common Strategic Policy Review Panel found: "There is no shared strategy for future use or replenishment of the Fund" (S.R.5/2025, Key Finding 14). And two years ago the Government said that implementing the Fiscal Policy Panel's recommendation "to review the objective of the Social Security (Reserve) Fund" would "be considered in a future Budget" (Budget 2025–2028, p.89). The Budget now before the States still lists "the ongoing purpose and objectives of the Fund" as something the spring review "will consider" (Budget 2027–2030, p.89).

3. Recommendations

A. Before 8 December: evidence before more money moves

The 2027 transfer needs the States' approval (Budget proposition, paragraph (e); Article 31(4)). We ask the Panel to recommend that:

1. no further transfer to offset the reduced grant is made until the spring 2027 actuarial review has been published, and the Panel has had the chance to consider it;
2. as a fallback, if the States approve the transfer, they attach conditions to it under Article 31(4), which the Law allows "as to repayment or otherwise": that the money is not moved until the actuarial review has been published, and that the Minister reports to the States when that condition has been met;
3. the Minister confirms that no transfer to offset the grant reduction will be made under the "income" route in Article 31(3) beyond what the States have approved.

B. A written funding policy for the Social Security Funds

The Fiscal Policy Panel has recommended that the Reserve Fund's objective be reviewed (as Budget 2025–2028 noted, p.89), and that drawdowns "should only be made on the basis of a comprehensive actuarial assessment of future pension liabilities" (Annual Report 2025, p.6). The policy should set out:

1. **What the Reserve Fund is for**, distinguishing planned drawdowns to meet the cost of an ageing population from transfers for any other purpose, such as offsetting a cut in the grant;
2. **A measure of the Funds' health**, recommended by the Fiscal Policy Panel with the Government Actuary, and built on that comprehensive assessment. It should be designed for a Pay As You Go scheme with a reserve, not copied from a funded scheme, and report separately: the value of the pensions already earned, by a method the actuary explains; projected contributions, grant, benefits and investment returns; the path of the Funds' balance at a range of migration and investment assumptions; and what the results mean for fairness between generations. "Years of cover" is a simple ratio of the money held to a year's spending. The actuary describes it as "an indication of how long (in years) the Fund could continue to operate if contributions ceased" (R.96/2023, para 2.20). On its own, it doesn't show whether the promises can be met;
3. **A prudent level**, with trigger points at which action must be considered;
4. **How a surplus is identified, and what it may be used for.** The Panel's own view is that any surplus confirmed by the actuarial review should be used "to rebuild the Stabilisation Fund" (Annual Report 2025, section 4.12.3, p.23);
5. **The evidence required before any transfer out** of the Reserve Fund can be approved, whether by the States or by the Minister under the "income" route, and before any reduction in the grant is put to the States.

How it should be agreed: the Council of Ministers or the Treasury Minister asks the Fiscal Policy Panel for a published report on the draft, which Article 46(1) of the Public Finances Law allows. The Fiscal Policy Panel has told this Panel that "It is not within the Panel's remit to assess the adequacy of the Social Security Fund", but that it "would be happy to consider taking this remit on if asked to do so" (letter of 14 October 2024). The States then approve the policy by proposition, and it is reviewed after every actuarial valuation. The spring 2027 reviews are the natural starting point, so it could be in place before Budget 2028.

C. Regular, published monitoring that Islanders can follow

1. **An annual report on the Funds' health against the policy,** published by the Minister for Social Security with the annual accounts each year, and summarised in each Budget. At a minimum it should include:
    - the health measure, and how it has moved;
    - actual contributions, benefit spending, investment returns and pensioner numbers against the last actuarial projections;
    - every transfer in and out, and its purpose.
2. **A plain-English summary on gov.je,** so that Islanders can judge for themselves how secure their pension is.
3. **Comply or explain.** Each Budget should list the Fiscal Policy Panel's recommendations on the Funds, say whether each has been followed, and explain why where it hasn't.

D. Actuarial figures before every major decision

Members have been asked to vote on the grant and on transfers without up-to-date actuarial figures, and last year this Panel couldn't get them at all. We ask the Panel to recommend that:

1. **the Government keeps an actuarial model of the Funds up to date between reviews.** It already does this occasionally: it asked the Government Actuary to assess the grant cut in 2025 (R.165/2025);
2. **any proposition that would materially affect the Funds** (the grant, contribution rates or limits, the pension age, uprating, or transfers out of the Reserve Fund) comes with a published actuarial note

before the vote, giving a central estimate and a range. The funding policy should define "material", so that smaller changes get a proportionate note;

3. **Scrutiny Panels can ask for runs of the model,** at assumptions they choose, with the results and assumptions published. The actuary's contract should expressly allow this work, so it can't be refused on contract grounds as it was last year, and any request the Government declines should be recorded publicly with reasons.

There is a precedent for actuarial reports on legislation. In Canada, the law requires the Chief Actuary, at the Finance Minister's request, to report whenever a bill would materially change the figures in the last valuation of the Canada Pension Plan, and that report is laid before the House of Commons.

E. A stronger legal duty for the actuarial review (Article 32)

Article 32 currently requires a review in the year before each election, and in any other year the Minister directs; a report on the Fund's financial condition "having regard to its liabilities"; and publication "as soon as may be". We ask the Panel to recommend amending it with the new requirements below, using the standard the Government sets for its own staff's pensions as a benchmark:

1. **How often:** at least every three years, as for the staff fund (Reg. 3(1)(a));
2. **How soon:** published within a deadline set in the Law, which the Government should propose and justify. The staff fund's valuation must reach the Minister within 15 months (Reg. 3(3));
3. **What it covers:** the "comprehensive actuarial assessment of future pension liabilities" the Fiscal Policy Panel called for (Annual Report 2025, p.6), set against the assets; projections at a range of migration and investment assumptions, and the effect of the choices the States control, such as contribution rates, the pension age, uprating and the grant; experience since the last review compared with what was assumed; and the long-term effect of decisions on the grant and on transfers. Article 32(3) already asks for a report "having regard to its liabilities";
4. **Who sets the assumptions:** the actuary, after consulting Ministers, as for the staff fund (Reg. 4(1)). Any variant the Government asks for should be published alongside, clearly labelled as the Government's assumption. Why this matters: the actuary's letter of 4 September 2025 on the proposed grant changes used "an updated investment return assumption which you have specified", earnings growth plus 3% a year, one point higher than the actuary's own assumption in its 2021 review (R.165/2025, September letter, paras 1 and 2(b)). That change alone moved the projected run-out with no migration from 2066 to 2082 (para 12). The actuary said the letter did not consider what a best-estimate assumption would be, and that "the reasonableness of an assumption of 1% p.a. higher investment returns" was a matter it could advise on (para 15). Its November letter went back to its own 2021 assumption (November letter, para 8), and said the projections are "particularly sensitive" to the investment return assumption and migration (para 18).

F. Legal limits on the Reserve Fund, and protection for the States Grant

1. **Write the Reserve Fund's purpose into the Law.** Article 31 says only that it "shall be maintained as a reserve for the Social Security Fund". It should say what the Reserve Fund is for, and that money may be paid out only for that purpose and in line with the approved funding policy, as the States have done for the Strategic Reserve.
2. **Close the "income" route.** Article 31(3) lets the Minister move the Reserve Fund's "income" without a vote. On legal advice, the 2023 Ministerial Decision report counted all investment returns since 2005 as income: "c£1.3 billion of the £2.0 billion balance" (MD-SOSEC-2023-78, report p.2). That is the report's description of past returns, not a current figure or cash ready to withdraw. But on that reading, most of the Reserve Fund could be moved without a vote. The Law should define

"income" precisely, after independent legal and accounting advice (including how realised and unrealised gains are treated), and any payment out beyond it should need a States resolution with an actuarial note.

3. **Protect the States Grant.** The grant is set by a formula in the Law (Article 9A): in the Government Actuary's words, the cost of topping up lower earners' contributions "is met by a States grant" with an additional contribution from higher earners (R.96/2023, para C.29). It has been stopped or cut by Regulations for every year from 2020 to 2029 except 2024. The Law lets the States, by Regulations, change the amount or remove the obligation to pay it (Articles 4(3) and 50(1)(f)), and the £50 million cut for 2025 was set as "the money we needed to balance the books" (S.R.6/2025, p.66). The grant should not be cut for the Budget's convenience. We ask the Panel to recommend three linked safeguards:
    - **A test in the Law:** the grant may be reduced below the formula only if the funding policy's health measure, confirmed by the actuary, shows the Funds above their prudent level.
    - **Evidence before the vote:** Regulations reducing the grant can't be debated without a published actuarial note, the Fiscal Policy Panel's view, and a statement of how the cut meets that test. They should also give an end date and a plan for how the shortfall will be made good, or an explicit statement that it won't be.
    - **No shortcut:** remove the grant from the Regulations power in Article 50(1)(f), so that any reduction needs an amending Law, which is a slower process.
    - **A narrow exception:** if the actuarial assessment is inconclusive, there is no cut. Any exception, for example a genuine fiscal emergency, would need an explicit States decision with published reasons and an actuarial note. Legal and actuarial advisers should design the details.

None of this can bind a future Assembly, which can always change the Law. The aim is that any cut to the grant, or any draw on the Reserve Fund, is decided openly and on the Funds' evidence, not on the Budget's needs.

4. Written questions the Panel could send to the Minister

Factual requests the Minister's department can answer from its own records. The first four are the priority: we ask the Panel to send them now, so the answers are available before the hearing on 3 November.

Before the hearing on 3 November

1. Budget 2026–2029 refers to "the current funding policy of the scheme as established in the late 1990s" (p.49). Please provide a copy before the hearing, and, if it has since been updated, the most recent approved version.
2. The Fiscal Policy Panel said higher returns "may have led to a surplus in the SSRF but a comprehensive actuarial assessment is required to determine this" (Annual Report 2025, section 4.12.3, p.23). Has any surplus been identified? If so, by whom, on what basis and how much? Please provide the written report, if one is available. If not, why has money been taken from the Reserve Fund to offset the grant cut before any surplus has been confirmed?
3. What assessments were made of what the Reserve Fund could safely afford before each cut in the grant from 2025 to 2029, and each transfer from the Reserve Fund to cover them? Please provide each assessment that was carried out, and any documented consideration or approval by the Minister for Social Security for each cut and each transfer. If no assessment was made, please say so.
4. Who chose the investment return assumption in the Government Actuary's letter of 4 September 2025, which the actuary described as one "which you have specified"? On what evidence, and why was the actuary not asked for its own best estimate?

Before the debate on 8 December

5. For each of the Fiscal Policy Panel's recommendations below on the Reserve Fund, please say whether the Government accepts it. If it does, what has been done to implement it, and by when will it be complete? If it doesn't, why not?
    - To review the Reserve Fund. In a letter to this Panel, the Fiscal Policy Panel said it had "recommended that a review of the Social Security Reserve Fund is undertaken", "to better understand the extent to which the fund is sufficient for meeting future pension liabilities" (letter from the Chair to the Health and Social Security Panel, 14 October 2024). Budget 2025–2028 said implementing "the FPP's recommendation to review the objective of the Social Security (Reserve) Fund" would "be considered in a future Budget" (p.89).
    - That drawdowns "should only be made on the basis of a comprehensive actuarial assessment of future pension liabilities" (Annual Report 2025, Section 3, p.6).
    - That the Reserve Fund is maintained "at an actuarially prudent level" (Annual Report 2025, section 4.12.3, p.23).
    - That "if the proposed actuarial review confirms that there is a surplus in the SSRF, the surplus is used to rebuild the Stabilisation Fund and begin the restoration of the island's financial resilience" (same page).
6. Will the spring 2027 review include the "comprehensive actuarial assessment of future pension liabilities" the Fiscal Policy Panel called for (Annual Report 2025, p.6), set against the Funds' assets? When will it be made public, and will that be before the Budget debate on 8 December? Has the actuary set, or will it set, every assumption in the review? If not, please give details of each assumption specified by the Government, the evidence for it, and why the actuary wasn't asked for its own best estimate.
7. The last review used population projections prepared by the actuary, because there were then no recent official ones (R.96/2023, para D.2). Will the spring review use Statistics Jersey's February 2026 population projections? If not, which projections will it use, and why?
8. The last review's main scenarios were levels of migration "specified by the Government of Jersey" (R.165/2025, letter of 4 September 2025, para 4; R.96/2023, para A.14). Its other tests covered life expectancy, investment returns and pension costs (para 4.6). Will the spring review also show the effect of the choices the States control, such as contribution rates, the pension age, uprating and the grant?
9. How much of the Reserve Fund, as at 31 December 2025, does the Government treat as "income" that the Minister may move without a vote under Article 31(3), and on what legal and accounting basis?
10. Between 2020 and 2026, £396.8 million was transferred from the Reserve Fund to the Social Security Fund to offset the cancelled or reduced States Grant: £55 million in 2020, £60 million in 2021, £78.5 million in 2022, £89 million in 2023, and £114.3 million for 2025 and 2026, all transferred in 2026 (MD-SOSEC-2023-78; Annual Report and Accounts 2023, p.80; WQ.94/2026). Please estimate what the Reserve Fund would have been worth at 31 December 2025, and what it is forecast to be worth at 31 December 2026, had these transfers not been made, including the investment returns the money would have earned. Please state the returns and method used, and give the same estimate at 31 December 2029 including the transfers of about £133 million planned for 2027–2029.

5. Sources

Page numbers are those printed on each document.

- Social Security (Jersey) Law 1974, official consolidated version from 1 January 2026: Articles 9A, 30(2), 31 and 32.

- Public Finances (Jersey) Law 2019: Articles 4(2) and 46(1).
- Public Employees (Pension Scheme) (Funding and Valuation) (Jersey) Regulations 2015 (R&O.140/2015), official consolidated version: Regulations 3, 4 and 19.
- Proposed Budget 2027–2030 (P.73/2026): pp.84, 88–89 and 100.
- Budget 2026–2029 (P.70/2025): p.49.
- Budget 2025–2028 (P.51/2024): pp.83 and 89, and proposition paragraph (k).
- Fiscal Policy Panel, Annual Report 2025: Section 3, p.6; section 4.12.3, p.23.
- R.165/2025, Government Actuary's letters of 4 September 2025 (paras 1, 2(b), 4, 12 and 15) and 12 November 2025 (paras 8, 16, 18 and 20).
- R.96/2023, Government Actuary's review as at 31 December 2021: paras 2.20, 4.6, A.14, C.29 and D.2.
- P.70/2025 Com.(3), Health and Social Security Panel, comments on Budget 2026–2029: pp.5–7.
- Common Strategic Policy Review Panel, S.R.5/2025: Key Finding 14.
- MD-SOSEC-2023-78, Ministerial Decision of 15 February 2023 and its report: p.2.
- Transfers 2020–2026: Annual Report and Accounts 2020–2023; MD-SOSEC-2023-78; WQ.94/2026. Planned 2027–2029: Budget 2027–2030, Tables 41–42, p.90 (our arithmetic for the split in 2029).
- Canada Pension Plan, section 115: the Chief Actuary's reports on bills.
- Public Employees Pension Fund, Annual Report and Financial Statements 2025: net assets £3,613.8 million at 31 December 2025 (p.33). Social Security (Reserve) Fund: £2,705 million (States of Jersey Annual Report and Accounts 2025, p.79). Strategic Reserve: £1.3 billion (Budget 2027–2030, p.84).
- Statistics Jersey, Population Projections 2023–2080 (December 2023), Table 8; and Population and Household Projections, Supplementary Tables 2025–2080 (February 2026), Table 6, at +325 net migration a year (2080 ratio our calculation from the projected populations aged 65 and over and 16–64).
- S.R.6/2025, Corporate Services Scrutiny Panel, Proposed Budget 2026–2029 Review: p.66. Social Security Law, Articles 4(3) and 50(1)(f).
- Fiscal Policy Panel, submission to the Health and Social Security Panel's review of Budget 2025–2028: letter from Sir Jon Cunliffe, Chair, to Deputy Louise Doublet, 14 October 2024.