



BILLET D'ÉTAT

XV
2008

WEDNESDAY, 26th NOVEMBER, 2008

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B I L L E T D ' É T A T

TO THE MEMBERS OF THE STATES OF THE ISLAND OF GUERNSEY

I have the honour to inform you that a Meeting of the States of Deliberation will be held at **THE ROYAL COURT HOUSE, on WEDNESDAY, the 26th NOVEMBER, 2008,** immediately after the Special Meeting, which will be convened for that day for the purpose of considering the States Budget for 2009, to consider the items contained in this Billet d'État, which have been submitted for debate.

G. R. ROWLAND
Bailiff and Presiding Officer

The Royal Court House
Guernsey
07 November 2008

TREASURY AND RESOURCES DEPARTMENT**AMENDMENT TO THE CHARITIES AND NON PROFIT ORGANISATIONS
(REGISTRATION) (GUERNSEY) LAW, 2008 (“THE LAW”)**

The Chief Minister
Policy Council
Sir Charles Frossard House
La Charroterie
St Peter Port

26th September 2008

Dear Sir

1. **Executive Summary**

The above Law was approved by the States on 12 March 2008 following the Department’s Report approved by the States on 26 September 2007.

This Law was passed in anticipation of the imminent International Monetary Fund’s (“IMF”) audit and in connection with the Financial Action Task Force (“FATF”) recommendation on non-profit organisations (“NPOs”).

Since the Law was approved by the States, the financial services industry has made a number of strong representations. It is unfortunate that these were not forthcoming before or following the publication of the Report, or during the debate over the Law. However, as a result of these representations, an informal working party (comprising members of St James’ Chambers, the Guernsey Financial Services Commission (“GFSC”), industry representatives and Income Tax) has considered the issues arising, and proposed a solution to resolve industry concerns.

Further, some disquiet has been expressed by the regulated fiduciary sector which practises in the field of family/private trusts. A request was made for the Law to be revised, to make it clear that the trusts established or administered by them are not subject to the provisions of the Law. In fact, St James’ Chambers advise that there is no need for such clarification. The Law is not designed to, and does not, apply to such trusts, but only to any charities and non-profit organisations (as that expression would generally be understood) intended to be caught by the FATF methodology. No amendment is therefore proposed in respect of this concern.

2. **Proposed amendments to the Law**

A new statutory office

A number of industry comments arose from a misunderstanding of the functions of the Administrator of Income Tax in performing his functions under this Law, which should not be as Administrator of Income Tax but rather as a registrar (but not a regulator) of NPOs. This misconception could be resolved by creating the formal office of Registrar of NPOs, so as to clarify the role that the Administrator of Income Tax is required to perform under the Law. This will have to be done by Projet de Loi, since there is no power to create this new office by Ordinance. For the time being, it is proposed that the Administrator should be given express power to delegate his functions under the Law. There will be no costs incurred in the creation of this new office since it will be discharged by the Administrator, as is envisaged under the Law, but by and in the name of the new statutory office. The precise circumstances in which information obtained by the Administrator (as the Registrar) under the Law can be used and disclosed will also be specified.

A private register

While it is clear that the public will benefit from being able to check the register in order to determine whether a charity that is soliciting donations from them is a bona fide registered charity, there is no such benefit in the case of charities that do not solicit donations from the public. Indeed, in the case of private charities, the publication of any details may, as industry have made clear, lead to difficulties in such charities performing their legitimate purpose. The creation of a private part of the register would give these charities the privacy they require while not limiting the Registrar's scrutiny of such bodies for the purposes of FATF compliance. This amendment can be achieved by Ordinance.

Regulation by the GFSC

Industry has also raised concerns about the administrative burden placed upon NPOs in relation to the provision of information to the Registrar, and as a result it has been suggested that where an NPO is administered, operated or controlled by a person licensed by the GFSC, the NPO should not be obliged to register (either publicly or privately). Such organisations could still exercise their right to register (for example, if a charity should wish to avail itself of income tax exemption) but would not be obliged to do so. As a result of this suggested amendment, an information gathering power would also be desirable to permit the Registrar to request information from such organisations. This amendment can be achieved by Ordinance.

Amendment to the definition of "based in" Guernsey

The definition of "based in" within the Law could, it has been suggested, lead to

confusion about the extent of the organisations intended to be caught by this Law. The definition should preferably be amended to avoid any suggestion that the provision of a one-off service in Guernsey could oblige the organisation availing itself of the service to register under the Law (which was not the intention). This amendment can also be achieved by Ordinance.

3. **Resources and Human Rights**

The Department is of the opinion that no extra resources will be required to implement these proposals, which do not contravene the principles of the European Convention on Human Rights.

This Report and the related Ordinance appear together on the grounds of urgency in order to ensure that the Bailiwick has the necessary legislation in place in time for the visit of the IMF. The Department is grateful to the Policy Council which, with the concurrence of the Presiding Officer, has agreed that this Report and the draft Ordinance appear in the same Billet d'Etat.

4. **Recommendations**

The Department therefore recommends the States to agree:

1. (1) to create the statutory office of Registrar of NPOs;
- (2) to direct the preparation of such legislation as may be necessary to give effect to the foregoing.
2. (1) that the Charities and Non-Profit Organisations (Registration) (Guernsey) Law, 2008 be amended to provide for the:
 - (a) Administrator of Income Tax to be able to delegate his duties under the Law,
 - (b) creation of a private register of NPOs,
 - (c) removal of the obligation to register from NPOs administered, operated or controlled by persons licensed by the GFSC (but to provide that they shall continue to be subject to the Administrator's power to request information),
 - (d) amendment of the definition of "based in" Guernsey, and
 - (e) specifying of the circumstances in which information obtained under the Law can be used and disclosed.
- (2) to approve the draft Ordinance entitled "The Charities and Non Profit Organisations (Registration) (Guernsey) Law, 2008

(Amendment) (No. 2) Ordinance, 2008” and to direct that the same shall have effect as an Ordinance of the States.

Yours faithfully

C N K Parkinson
Minister

(NB The Policy Council has no comment on the proposals.)

The States are asked to decide:-

I.- Whether, after consideration of the report dated 26th September, 2008, of the Treasury and Resources Department, they are of the opinion:-

1. (1) To create the statutory office of Registrar of Non-Profit Organisations.
- (2) To direct the preparation of such legislation as may be necessary to give effect to their above decision.
2. (1) That the 2008 Law be amended to provide for the:
 - (a) Administrator of Income Tax to be able to delegate his duties under the Charities and Non-Profit Organisations (Registration) (Guernsey) Law, 2008;
 - (b) creation of a private register of Non-Profit Organisations;
 - (c) removal the obligation to register from Non-Profit Organisations administered, operated or controlled by persons licensed by the Guernsey Financial Services Commission (but to provide that they shall continue to be subject to the Administrator’s power to request information);
 - (d) amendment of the definition of “based in” Guernsey; and
 - (e) specifying of the circumstances in which information obtained under the Charities and Non-Profit Organisations (Registration) (Guernsey) Law, 2008 can be used and disclosed.
- (2) To approve the draft Ordinance entitled “The Charities and Non Profit Organisations (Registration) (Guernsey) Law, 2008 (Amendment) (No. 2) Ordinance, 2008” and to direct that the same shall have effect as an Ordinance of the States.

PROJET DE LOI

entitled

THE PRESCRIBED BUSINESSES (BAILIWICK OF GUERNSEY) LAW, 2008

The States are asked to decide:-

II.- Whether they are of the opinion to approve the Projet de Loi entitled “The Prescribed Businesses (Bailiwick of Guernsey) Law, 2008” and to authorise the Bailiff to present a most humble petition to Her Majesty in Council praying for Her Royal Sanction thereto.

PROJET DE LOI

entitled

THE INCOME TAX (GUERNSEY) (AMENDMENT) LAW, 2008

The States are asked to decide:-

III.- Whether they are of the opinion

- (1) To approve the Projet de Loi entitled “The Income Tax (Guernsey) (Amendment) Law, 2008” and to authorise the Bailiff to present a most humble petition to Her Majesty in Council praying for Her Royal Sanction thereto.
- (2) Considering it expedient in the public interest so to do, to declare, pursuant to section 1 of the Taxes and Duties (Provisional Effect) (Guernsey) Law, 1992, that section 6 of the said Projet de Loi shall have effect from the 1st January, 2009, as if it were a Law sanctioned by Her Majesty in Council and registered on the records of the Island of Guernsey.

THE CRIMINAL JUSTICE (PROCEEDS OF CRIME) (BAILIWICK OF GUERNSEY) (AMENDMENT) ORDINANCE, 2008

The States are asked to decide:-

IV.- Whether they are of the opinion to approve the draft Ordinance entitled “The Criminal Justice (Proceeds of Crime) (Bailiwick of Guernsey) (Amendment) Ordinance, 2008” and to direct that the same shall have effect as an Ordinance of the States.

**THE DRUG TRAFFICKING (BAILIWICK OF GUERNSEY)
(AMENDMENT) ORDINANCE, 2008**

The States are asked to decide:-

V.- Whether they are of the opinion to approve the draft Ordinance entitled “The Drug Trafficking (Bailiwick of Guernsey) (Amendment) Ordinance, 2008” and to direct that the same shall have effect as an Ordinance of the States.

**THE DISCLOSURE (BAILIWICK OF GUERNSEY)
(AMENDMENT) ORDINANCE, 2008**

The States are asked to decide:-

VI.- Whether they are of the opinion to approve the draft Ordinance entitled “The Disclosure (Bailiwick of Guernsey) (Amendment) Ordinance, 2008” and to direct that the same shall have effect as an Ordinance of the States.

**THE PREVENTION OF CORRUPTION (BAILIWICK OF GUERNSEY)
(AMENDMENT) ORDINANCE 2008**

The States are asked to decide:-

VII.- Whether they are of the opinion to approve the draft Ordinance entitled “The Prevention of Corruption (Bailiwick of Guernsey) (Amendment) Ordinance 2008” and to direct that the same shall have effect as an Ordinance of the States.

**THE LAND PLANNING AND DEVELOPMENT (FEES AND
COMMENCEMENT) ORDINANCE, 2008**

The States are asked to decide:-

VIII.- Whether they are of the opinion to approve the draft Ordinance entitled “The Land Planning and Development (Fees and Commencement) Ordinance, 2008” and to direct that the same shall have effect as an Ordinance of the States.

**THE ATTENDANCE AND INVALID CARE ALLOWANCES
ORDINANCE, 2008**

The States are asked to decide:-

IX.- Whether they are of the opinion to approve the draft Ordinance entitled “The Attendance and Invalid Care Allowances Ordinance, 2008” and to direct that the same shall have effect as an Ordinance of the States.

THE FAMILY ALLOWANCES ORDINANCE, 2008

The States are asked to decide:-

X.- Whether they are of the opinion to approve the draft Ordinance entitled “The Family Allowances Ordinance, 2008” and to direct that the same shall have effect as an Ordinance of the States.

THE HEALTH SERVICE (BENEFIT) (AMENDMENT) ORDINANCE, 2008

The States are asked to decide:-

XI.- Whether they are of the opinion to approve the draft Ordinance entitled “The Health Service (Benefit) (Amendment) Ordinance, 2008” and to direct that the same shall have effect as an Ordinance of the States.

THE LONG-TERM CARE INSURANCE (GUERNSEY) (RATES) ORDINANCE, 2008

The States are asked to decide:-

XII.- Whether they are of the opinion to approve the draft Ordinance entitled “The Long-term Care Insurance (Guernsey) (Rates) Ordinance, 2008” and to direct that the same shall have effect as an Ordinance of the States.

THE SOCIAL INSURANCE (RATES OF CONTRIBUTIONS AND BENEFITS, ETC.) ORDINANCE, 2008

The States are asked to decide:-

XIII.- Whether they are of the opinion to approve the draft Ordinance entitled “The Social Insurance (Rates of Contributions and Benefits, etc.) Ordinance, 2008” and to direct that the same shall have effect as an Ordinance of the States.

THE SUPPLEMENTARY BENEFIT (IMPLEMENTATION) (AMENDMENT) ORDINANCE, 2008

XIV.- Whether they are of the opinion to approve the draft Ordinance entitled “The Supplementary Benefit (Implementation) (Amendment) Ordinance, 2008” and to direct that the same shall have effect as an Ordinance of the States.

POLICY COUNCIL

INTERNATIONAL IDENTITY FRAMEWORK DOCUMENT

1. EXECUTIVE SUMMARY

The report describes how a framework for developing the international identity of the Island of Guernsey was taken forward through discussions with the Department for Constitutional Affairs (the predecessor of the Ministry of Justice), which also involved officials from Jersey and the Isle of Man. It sets out in the Appendix the text resulting from those discussions, which is, save for the identity of the Island in question, the same for each Crown Dependency.

It explains how the conclusion of the document corresponds to workstreams supporting Priority 1 of the Government Business Plan and places the principles contained within it into historical context. The document represents progress in confirming practices that operate within the existing constitutional relationship between Guernsey and the UK and identifying how the two administrations will work in partnership to develop Guernsey's international identity. The document does not effect any changes to the constitutional relationship.

2. BACKGROUND

On 11 January 2006, the Chief Ministers of Guernsey, Jersey and the Isle of Man met with the Lord Chancellor and Secretary of State for Constitutional Affairs, Lord Falconer of Thoroton, and agreed a statement of intent for taking forward work that had already begun on the developing international personality of each of the three Islands, which was in the following terms:

“Each of the Crown Dependencies has expressed a wish to better define and develop their ‘international personality’. Each CD government is politically committed to promoting its international profile. What that looks like and means in practice has not been fully defined but the successful development of an international personality in each of the CDs will require close working between each of the administrations and the UK.

The UK welcomes the promotion of the CDs as models of well functioning, small democracies and supports the principle of the CDs developing a positive international personality and has a role to play in assisting.

The CDs will clarify their ambitions/aspirations for an international personality and work together with the UK to produce an effective framework for the development and implementation of their respective international personalities. The framework will encompass a statement of principles and will be underpinned by a clear working protocol. Taken together they will:

- *assist understanding in the international community of the constitutional relationships between the UK and the CDs and the responsibilities of the UK and CDs within their constitutional models,*
- *assist the CDs in presenting coherent (to other parties), effective (credible) and legitimate (legally and constitutionally sound) international profiles*
- *provide the basis for constructive resolution of issues where CD and UK policy interests do not coincide.*

The protocol will build on the good practices established during the recent EU savings tax agreements and being developed for the continuing TIEA negotiations.

The constitutional relationship between the UK and the CDs works well and the relationships are positive and constructive. The unwritten nature of the relationships allows them to develop in line with progress and world changes.

The CDs and DCA will work jointly to promote a wide understanding that each CD's desire to promote itself internationally reflects its intention to participate in world events as mature confident democracies committed both to playing their part in helping others and raising world standards.

It is intended that over the coming months officers from the DCA and CD's will develop the framework. It will be presented to the Chief Ministers of Guernsey, Jersey and the Isle of Man and the UK Secretary of State for Constitutional affairs for agreement before the end of 2006."

The development of the framework document had begun as a workstream under Key Theme 1 of the Corporate Agenda, which provided for "*upholding and enhancing Guernsey's domestic autonomy and international personality, which are based on its constitutional position and successful history of democratic self-government.*" A particular feature of that Key Theme was to work towards ensuring that an improved or greater understanding exists about Guernsey and its constitutional position.

The detailed work involved in encapsulating the relevant principles took longer than envisaged by the statement of intent and was not concluded by the end of 2006. During this period, the Department for Constitutional Affairs indicated that it would be legally incorrect to continue to describe the subject-matter of the framework document as relating to 'international personality' and offered a variety of alternatives. It was through this process that the resulting document adopted the term 'international identity'

By March 2007, the text of the document had been finalised in identical terms for all three Islands, save for the substitution of each Island's name. The text of the Guernsey document is set out in the Appendix. Lord Falconer proceeded to sign the documents

with the Chief Ministers of Jersey and the Isle of Man on 1 May 2007. However, he was not prepared to sign the Guernsey document at that time because of the constitutional difficulties on Sark, which have since been resolved.

3. GOVERNMENT BUSINESS PLAN

Priority 1 of the Government Business Plan (Billet d'État No. XVIII of 2007) is to assert Guernsey's independent identity. The relevant part of Level 1 is 'to assert and develop Guernsey's independent right to self-government, in a responsible and determined way'.

Lead responsibility for the first two Level 2 workstreams of Priority 1 is conferred on the External Relations Group of the Policy Council. Those workstreams are-

- ***Self Government***

Take all appropriate steps to preserve Guernsey's responsible, stable and mature democracy with its fiscal independence, legislative competence and independent judiciary which together contribute to Guernsey's long standing history of domestic autonomy and self-government.

- ***Bailiwick Identity***

Develop and establish a formal statement which expresses the Bailiwick's independence and which reflects the islands' legitimate concerns, understanding and history. This statement is intended to underpin the Bailiwick's internal and external relations.

In relation to self-government, amongst other things, this involves engaging and conferring with the international community on a wide range of issues. In accordance with its mandate, the Policy Council is responsible for representing the Island and negotiating on international matters.

In relation to the Bailiwick identity, the framework document is **not** the formal statement envisaged under the GBP workstream quoted above, but rather, as set out in the 2006 statement of intent, captures the principles mutually recognised by Her Majesty's Government and the States of Guernsey as forming the basis for a developing working relationship to enhance Guernsey's international presence. This is consistent with articulating part of the constitutional context in which Guernsey is currently placed so that Guernsey's interests may be more widely understood and accepted by the international community. In particular, the formulation of the framework document represents a development in the existing relationship with the UK and clarifies how both sides will work together in taking the initiative to reinforce Guernsey's distinct international identity so that Guernsey is better able to develop its external relations (see item of work F in Level 3, GBP).

4. RESPONSIBILITY FOR GUERNSEY'S INTERNATIONAL RELATIONS

a) Historical Context

Prior to 16 October 1950, when Her Majesty's Government entered into an international agreement or treaty it was regarded by all concerned as applying to Guernsey (and the other Crown Dependencies) unless, in any particular case, the contrary position was expressed on its face. However, in the so-called Bevin Declaration, that position was reversed because 'it would be more consistent with the constitutional position of these Islands to regard them for international purposes as not forming part of the United Kingdom of Great Britain and Northern Ireland'. Consequently, since that time, unless the contrary intention appears in the instrument itself, the Guernsey authorities are asked whether they wish to have extended to Guernsey the international instrument that the UK Government has adopted.

In 1956, the States resolved that, where applicable, the consideration of whether or not to acquiesce to an invitation that an international agreement be applied to Guernsey should be conferred on the States Advisory Council. In 1957, this function was transferred to the States Advisory and Finance Committee. Subsequently, on 25 February 1987 (Billet d'État No. IV of 1987), the States adopted a fresh Resolution, which remains extant (subject only to the substitution of the Policy Council for the Advisory and Finance Committee), as follows:

"That each international agreement in the application of which to this Island the Insular Authorities are invited to acquiesce shall be referred by the Bailiff to the States Advisory and Finance Committee and that the States Advisory and Finance Committee shall make to the Bailiff its recommendations as to whether a notification of acquiescence in the application of an agreement to this Island either in whole or with reservations or of non-acquiescence should be made and thereupon the Bailiff shall communicate with the proper quarter in accordance with such recommendations provided that:-

- (a) where the terms of any international agreement appear to the States Advisory and Finance Committee to involve questions of human rights and fundamental freedoms, or matters which, in the opinion of the States Advisory and Finance Committee are likely to be considered controversial, the terms of the proposed agreement shall be laid before the States;*
- (b) where the subject matter of the agreement relates to a subject which is the concern of any other States Committee, the States Advisory and Finance Committee shall refer the agreement to that Committee with a request for its views;*
- (c) where the States Advisory and Finance Committee or a States Committee concerned considers it necessary or expedient that the matter of acquiescence or non-acquiescence in the application to this Island of an agreement should be submitted to the States for a decision, the matter*

shall be so submitted by the States Advisory and Finance Committee together with any necessary clarification and recommendation; and

- (d) where the views of the States Advisory and Finance Committee and of any other States Committee concerned are not in accord on the matter, the difference between them shall be submitted by the States Advisory and Finance Committee to the States for a decision thereon.”*

A second element of that Resolution directs that the Policy Council must submit annually to the Bailiff for inclusion as an appendix to a Billet d’État a report setting out the title and brief description of each international agreement received by it in the preceding year, giving details of the action taken in relation to that agreement. The last such report was for 2007 and featured as an appendix to Billet d’État No. III of 2008.

b) Process of consultation

Before the extension of any international agreement or treaty to Guernsey there should normally be two phases of consultation. The first phase occurs during the negotiation of the agreement or treaty. This is confirmed in guidance provided within the UK to all Government Departments, which strongly indicates that prior consultation is necessary. For example, in the Foreign and Commonwealth Office document “*Treaties and MOUs: Guidance on Practice and Procedures*” (revised May 2004), it is stated that:

*“When the UK is involved in the negotiation of any treaty (multilateral or bilateral) which could apply to the Islands, or is considering signing a treaty already adopted, the **Constitutional Policy Division of the Department for Constitutional Affairs** [now the Crown Dependencies Branch of the Ministry of Justice] must be informed as early as possible so that they can consult the Islands. The Islands must then be allowed a proper length of time to consider the implications of having any treaty extended to them.”*

Similarly, section 9 of the “*Background Briefing on the Crown Dependencies: Jersey, Guernsey and the Isle of Man*” (published in June 2006 by the Department for Constitutional Affairs and carried forward by the Ministry of Justice) provides:

“When the UK ratifies a treaty it does so on behalf of the United Kingdom of Great Britain and Northern Ireland and any of the Crown Dependencies or overseas territories that wish the treaty to apply to them. It is not always possible to include Crown Dependencies or overseas territories in the instrument of ratification, so the scope of ratification can be extended later to include them. This practice has been agreed by other Member States and is regarded by the UN Secretary General as establishing a different intention for the purposes of Article 29 of the Vienna Convention on the Law of Treaties. Article 29 relates to the territorial scope of treaties. It provides that “unless a different intention appears from the treaty or is otherwise established, a treaty is binding upon each party in respect of its entire territory”. Treaties and international agreements made before 1951 applied to Jersey, Guernsey and the Isle of Man by convention without any specific reference to the Islands.”

Consequently, the well-established practice is that Her Majesty's Government has put in place a process through which consultation with the insular authorities occurs when an international agreement or treaty of relevance to Guernsey is being negotiated. In this way, any views proffered by the insular authorities are capable of being taken into account in developing the UK's negotiating position. Naturally, where the interests of Guernsey cannot be accommodated in the position taken by the UK, difficulties will arise, but there should still be the opportunity to make any appropriate representations, with the Policy Council, through its External Relations Group, acting in accordance with their mandates as co-ordinator on behalf of the insular authorities, before the agreement or treaty is concluded.

When Her Majesty's Government concludes an international agreement or treaty, it generally does so on behalf of the metropolitan territory of Great Britain and Northern Ireland only. From time to time, the process of prior consultation will include an express invitation to the insular authorities to consider acquiescence, which may result in an early indication from Guernsey that it wishes the international agreement to be extended to it. In such a case, the initial signature, ratification or accession by Her Majesty's Government can be expressed to cover Guernsey as well.

In most cases, however, there will also be a subsequent phase of consultation, during which the insular authorities are expressly requested to consider whether or not to acquiesce in the extension of the concluded instrument in question. The Policy Council, acting through its External Relations Group, addresses this issue in accordance with the 1987 States Resolution. At that stage, as appropriate, there will be consultation with any States Department affected by the international agreement or treaty and, where necessary, reference to the States for a decision about extension to be taken. However, where there is no need or wish to bring the matter before the States, the Policy Council will relay its decision on acquiescence or non-acquiescence to Her Majesty's Government through official channels.

c) Evolution of relationship

Recent practice provides clear evidence that any suggestion that the Crown, acting through Her Majesty's Government, is exclusively responsible for Guernsey's international relations, which is a view that would probably have prevailed a generation or more ago, is no longer accurate. Much more takes place internationally than previously and the distinction between what could legitimately be regarded as an international initiative and what is purely domestic has become increasingly blurred. International conventions and agreements are now commonly concluded in areas where Guernsey can properly assert that the subject-matter falls within its domestic legislative competence. Consequently, engagement in foreign relations can no longer be the sole province of Her Majesty's Government and concurrent, or even transferred, competence to negotiate directly has necessarily evolved. The framework document is designed to facilitate further evolution of these practices.

During the course of the discussions about the wording of the framework document, Guernsey identified the need to emphasise the evolutionary nature of the principles being set out, so as to avoid any suggestion that the document might be construed as

crystallising this element of the relationship. As a result, the reference in the preamble to ‘methods ... evolving to help achieve the mutual interests of both the UK and Guernsey’ was inserted and is regarded as important.

A Letter of Entrustment is a formal means by which Her Majesty’s Government transfers the competence to conclude international agreements to, amongst others, Guernsey. To date, this has occurred in relation to the process of concluding Guernsey’s agreements with the 27 EU Member States in accordance with the Tax on Savings Directive and for the purposes of executing tax information exchange agreements. It is envisaged that Letters of Entrustment may be sought in other areas in due course.

5. CONTENT OF THE FRAMEWORK DOCUMENT

The framework document recognises the conventional view of the constitutional relationship between the UK and Guernsey but it does not make any changes to the existing relationship. The purpose of the document is to provide a mutually acceptable description of the constitutional relationship and the means by which it will continue to evolve as Guernsey develops the rôle it plays internationally. The document is designed principally for use externally because the aspects of the relationship covered in the document did not require crystallisation in writing to be understood and applied as between the UK and Guernsey. There is, and has not been, any suggestion that the formulation of the principles set out in the document has been driven by any desire for constitutional reform. Indeed, the document neither makes, nor purports to achieve, any such reform.

The document contains a clear and unequivocal statement that the UK ‘recognises that Guernsey is a long-standing, small democracy’ and endorses the shared intention that both sides will ‘work jointly to promote the legitimate status of Guernsey as a responsible, stable and mature democracy with its own broad policy interests’ (paragraphs 3 and 10). Such positive assertions provide a robust message to the international community that any detractors of Guernsey will find difficult to rebut.

Several of the principles spell out the importance of Guernsey developing its international identity with assistance, rather than interference, from the UK, with the UK providing a clear picture of its priorities internationally so that Guernsey can consider them and determine how best to satisfy international standards and obligations, thereby enhancing its profile internationally (paragraphs 4, 7 and 6 respectively). The document provides evidence for anyone unfamiliar with the constitutional relationship that Guernsey and the UK will act as partners in the continuing development of Guernsey’s unique presence internationally.

In doing so, there is the important and explicit recognition that Guernsey’s international identity is different from that of the UK (paragraph 2). For the purposes of explaining to foreign officials the distinctions between Guernsey and UK international interests, this statement and other paragraphs setting out how the UK should have regard to what Guernsey wishes to achieve and, insofar as it is possible, seek to resolve or clarify those differences to enable the UK, following prior consultation, to articulate those positions

or to facilitate Guernsey in expressing its own position (paragraphs 8, 9 and 1 respectively) are expected to be of considerable significance when it comes to Guernsey's dealings with foreign countries or international organisations. Moreover, should those differences or other considerations lead to issues that might affect the existing constitutional relationship, Guernsey and the UK are committed to 'open, effective and meaningful dialogue' (paragraph 5).

As with any document, it is essential to read it in its entirety to put its individual parts into context. As the preamble notes, the framework of principles set out in the document 'is intended to clarify the constitutional relationship between the UK and Guernsey'. Clarification does not mean alteration. As a matter of international law, it must be acknowledged that Her Majesty's Government remains responsible for Guernsey's international relations. In that regard, however, there is a growing recognition that, in conducting international relations on behalf of Guernsey, the Guernsey authorities have their own part to play. The principal means of engagement with the Guernsey authorities will be through prior consultation and ongoing dialogue, which should lead either to some refinement of the UK's position in negotiating the text of any international agreement or treaty or to the recognition that Guernsey's policies lead it to a different position. The acceptance by Her Majesty's Government that it 'will not act internationally on behalf of Guernsey without prior consultation' (paragraph 1) reflects the prevailing practice but is the first time that it has been set out as a formal commitment.

6. EXECUTION OF THE FRAMEWORK DOCUMENT

On the basis that the document does not affect the existing constitutional relationship with the UK, but rather clarifies it and sets out how, in relation to their respective functions in respect of Guernsey's international relations, Guernsey and the UK will work together to enable Guernsey to engage positively with the international community over an increasingly wider range of issues, acting in accordance with its mandate, the External Relations Group of the Policy Council resolved on 18 July 2008 that the Chief Minister be authorised to sign the document. However, in a statement to the States on 30 July 2008, the Chief Minister indicated that he would not give effect to that resolution and execute the document pending debate in the States of this report. Following this debate, it is the intention of the Policy Council that the document should be signed on behalf of Guernsey by the Chief Minister

7. RECOMMENDATION

The Policy Council recommends the States to note the contents of this report.

L S Trott
Chief Minister

6th October 2008

APPENDIX

Framework for developing the international identity of Guernsey

Following the statement of intent agreed on 11 January 2006, the Chief Minister of Guernsey and the UK Secretary of State for [Constitutional Affairs] have agreed the following principles. They establish a framework for the development of the international identity of Guernsey. The framework is intended to clarify the constitutional relationship between the UK and Guernsey, which works well and within which methods are evolving to help achieve the mutual interests of both the UK and Guernsey.

1. The UK has no democratic accountability in and for Guernsey which is governed by its own democratically elected assembly. In the context of the UK's responsibility for Guernsey's international relations it is understood that
 - The UK will not act internationally on behalf of Guernsey without prior consultation.
 - The UK recognises that the interests of Guernsey may differ from those of the UK, and the UK will seek to represent any differing interests when acting in an international capacity. This is particularly evident in respect of the relationship with the European Union where the UK interests can be expected to be those of an EU member state and the interests of Guernsey can be expected to reflect the fact that the UK's membership of the EU only extends to Guernsey in certain circumstances as set out in Protocol 3 of the UK's Treaty of Accession.
2. Guernsey has an international identity which is different from that of the UK.
3. The UK recognises that Guernsey is a long-standing, small democracy and supports the principle of Guernsey further developing its international identity.
4. The UK has a role to play in assisting the development of Guernsey's international identity. The role is one of support not interference.
5. Guernsey and the UK commit themselves to open, effective and meaningful dialogue with each other on any issue that may come to affect the constitutional relationship.
6. International identity is developed effectively through meeting international standards and obligations which are important components of Guernsey's international identity.
7. The UK will clearly identify its priorities for delivery of its international obligations and agreements so that these are understood, and can be taken into account by Guernsey developing its own position.

8. The activities of the UK in the international arena need to have regard to Guernsey's international relations, policies and responsibilities.
9. The UK and Guernsey will work together to resolve or clarify any differences which may arise between their respective interests.
10. Guernsey and the UK will work jointly to promote the legitimate status of Guernsey as a responsible, stable and mature democracy with its own broad policy interests and which is willing to engage positively with the international community across a wide range of issues.

(NB The Treasury and Resources Department has no comment on the proposal.)

The States are asked to decide:-

XV.- Whether, after consideration of the Report dated 6th October, 2008, of the Policy Council, they are of the opinion:-

To note the contents of that Report.

TREASURY AND RESOURCES DEPARTMENT

SUPERANNUATION FUND: ACTUARIAL REPORT

The Chief Minister
Policy Council
Sir Charles Frossard House
La Charroterie
St Peter Port

1st October 2008

Dear Sir

Executive Summary

The purpose of this Report is to place before the States the latest triennial Actuarial Valuation (as at 31 December 2007) of the Superannuation Fund.

For the avoidance of doubt, this Report deals solely with the pension benefits for public sector employees and States Members. There is no impact on the “States Old Age Pension” funded by the Guernsey Insurance Fund administered by the Social Security Department.

The States of Guernsey, in common with most public sector employers, maintains defined-benefit pension schemes. In general terms, this means that the pension payable to employees is determined by their years of service and their final salary. Stock market performance does not impact upon the benefits accruing to the employees (or their contribution rates) as it does with a defined-contribution scheme.

The assets of the Superannuation Fund as at 31 December 2007 totalled £896,438,000, attributed to the Fund constituents as follows:

Public Servants (including Teachers)	£822,142,000
Guernsey Electricity Limited	£ 37,476,000
Guernsey Post Limited	£ 24,088,000
Guernsey Financial Services Commission	£ 9,702,000
States Members	£ 3,030,000

In respect of Public Servants the Actuaries’ Report, which is included as an Appendix to this States Report, can be summarised as follows:

- As at 31 December 2007, there was a past service deficit of £43,994,000 (which corresponds to a funding ratio of 94.9%). The Treasury and Resources Department is recommending that a policy for funding past service liabilities at a level of 90% of the benefits accrued is adopted.
- In view of the valuation results, and taking into account funding targets and assumptions on the patterns of membership and employee turnover, pay and pension increases, mortality, inflation and future investment returns, the Actuaries are recommending that the base level employer contribution to be paid to the Fund is increased to 14.1% of members salaries (from 7.85% for Public Servants and 13.5% for Teachers).

Background

In November 2005, the States considered the Actuarial Valuation of the Superannuation Fund as at 31 December 2004 which recommended that, in order to return the Superannuation Fund to a fully funded position, the employer contribution rates should be increased for public servants from 7.85% to 22% and for teachers from 13.5% to 34.3%.

The Treasury and Resources Department advised the States that *“The effect of the revised employer contribution rates would be to increase annual general revenue expenditure on funding public servants pensions from £13m to £31m, an increase of £18m. This level of increase is considerably more than the predicted operating surpluses for 2005 and 2006 and is simply not affordable. The Department is therefore recommending that the employer contribution rates are maintained at their present level pending a full review of the pension arrangements for public sector employees.”* The States agreed with this recommendation and directed *“the Public Sector Remuneration Committee and the Treasury and Resources Department to review the present arrangements for providing pensions for public sector employees and to report back jointly to the States with their proposals, by no later than September 2006.”*

In October 2006, the States considered a joint report from the Public Sector Remuneration Committee and the Treasury and Resources Department and agreed that pensions for public sector employees in Guernsey should continue to be broadly comparable to the (changing) provisions in the UK public sector as many public sector employees are recruited primarily from the UK (eg. Nurses, Teachers, Social Workers, Medical Consultants, Air Traffic Control Officers).

It was agreed that a Review Panel of the Pension Consultative Committee would be formed to produce a detailed Report and necessary Rule changes to be submitted for consideration by the Pensions Consultative Committee and subsequent endorsement by the States in early 2007.

In November 2007, the States endorsed the recommendation of the Pensions Review Panel. The fundamental changes were:

- An increase in the normal pension age from 60 to 65 for new standard members (and by a similar amount for non-standard members);
- An increase in member contribution rates (of 0.5%);
- Protection of the normal pension age of current members;
- An improved accrual rate for new members (i.e. those with the later normal pension age), with the removal of an automatic terminal grant; and
- An increase in the death in service lump sum.

Also included were changes to address equality issues and reflect social changes since the scheme was introduced; changes to promote and assist employees to continue in the workforce longer than at present (including phased and flexible retirement options) and greater flexibility for members in respect of their benefits (including commutation of part of pension entitlement for a lump sum).

It was estimated that these changes would result in a reduction in the “true” cost of providing pensions for States employees by £800,000 per annum with immediate effect rising to £2.1million per annum (in current values) over a fifteen year period.

Members of the Teachers Scheme were offered the opportunity to transfer to a new Section within the Combined Pool, the Teachers Combined Pool section, with effect from 1 November 2005. Pensions in this new section would receive increases in line with Guernsey inflation rather than UK inflation. In addition, the Teachers Scheme was closed to new members on 31 October 2005. All new teachers join the Teachers Combined Pool section. As at 31 December 2007, the balance of the Teachers Scheme was £38.9million, less than 5% of the balance of the Combined Pool. Therefore, for funding purposes, the Public Servants Combined Pool and the Teachers sections will be combined and a single base level employer contribution made.

Annual Performance

The Superannuation Fund's annual performance is reported as part of the overall States Accounts and can be summarised as follows:

	2007	2006	2005	2004	2001
	£m	£m	£m	£m	£m
Employer contributions	16	17	15	13	10
Employee contributions	10	9	9	8	7
Refunds and Transfers (net)	(1)	(2)	2	(1)	(1)
Pensions and Lump Sums paid	(28)	(26)	(23)	(21)	(18)
Net investment income	17	22	17	15	19
Net increase	14	20	20	14	17
Investment appreciation / (depreciation)	35	44	107	34	(75)
Opening Balance	847	783	656	608	675
Closing Balance	896	847	783	656	617
Liabilities	940			764	554
(Deficit) / Surplus	(44)			(108)	63
Funding Ratio	95%			86%	111%

The value of the Superannuation Fund has grown substantially in recent years, largely as a result of investment gains. Since the December 2004 actuarial valuation, despite the recommended increases in employer contributions not being implemented, the overall funding ratio of the Superannuation Fund has increased from 86% to 95% - mainly resulting from better than anticipated investment returns and a change in the investment outperformance premium over the gilt yield.

As at 30 September 2008, the Superannuation Fund had a balance of £754million (similar to the September 2005 value) which is a significant decrease from the balance at the beginning of the year. However, it should be remembered that world financial markets have been in a state of turmoil and that the rate of employer contributions is dependent on the long term investment return and the out-performance of the investment fund compared to the anticipated 'risk-free'(from UK Government gilt stocks) rate of return. However, the Department and its professional advisors continue to monitor the situation closely.

Funding Target – Public Servants and Teachers

For many years the States have adopted a policy of targeting a fully funded scheme (i.e. at any given time there are sufficient assets to cover the present value of the

scheme's liabilities). This means that at each triennial Actuarial Valuation the employer contribution rates were calculated such that the Superannuation Fund would remain fully funded, provided that the underlying assumptions are correct.

Providing a pension is a contractual agreement between the States and its employees and pensioners and forms part of the annual pay and conditions negotiations undertaken by the Public Sector Remuneration Committee. The States therefore need to make financial provision for the ongoing payment of pensions and future liabilities. The States has traditionally had a policy of achieving this by maintaining a fully funded Superannuation Fund. However, the maintenance of a fully-funded investment fund to support a public sector defined benefits (final-salary) scheme is a relatively unusual position. In the United Kingdom, and in many other jurisdictions, some public sector pensions are paid out of current tax collections and little, if any, investment fund is maintained.

Employer contribution rates and funding options - Public Servants and Teachers

Maintenance of existing employer contribution rates

The maintenance of existing employer contribution rates (7.85% for public servants and 13.5% for Teachers) would result in a funding ratio of approximately 87% (for both future benefits and past service liabilities). If the actuarial assumptions are borne out in practice, this would result in an overall funding deficit of £100million at the time of the next actuarial valuation.

Fully funding future benefits and past service liabilities

This would require an employer contribution rate of 20.2% and cost General Revenue approximately £27million per annum, over double the current expenditure of £13million. This option is not being recommended as it is considered to be unaffordable.

Fully funding future benefits and funding 90% of past service liabilities

The Treasury and Resources Department is recommending that, in respect of the Combined Pool, the States adopts a policy of fully funding benefits that accrue after the valuation date of 31 December 2007 and that benefits accrued to 31 December 2007 will have a targeted funding level of 90% at 31 December 2007. The Department is of the view that this funding target is appropriate, given the number of assumptions that have been made in carrying out this review and the large effect that a minor variation in practice compared to assumption will have (for example, a 0.25% increase in the investment outperformance premium would result in a £33million decrease in the value of the deficit. Furthermore, as the new benefit structure is expected to be less costly than the existing benefit structure, the employer contribution rate will gradually over time change to one based mainly on the new structure once all current members have retired/left and been replaced by new joiners after 1 January 2008.

The long-term rate of employer contribution to be paid in the Combined Pool to cover the cost of benefits accruing in respect of future service should be 17.1% of Pensionable Pay. The 90% target funding level in respect of past service liabilities

gives a funding surplus of £42,620,000. If allowance were made for spreading this funding surplus over the average working lifetime of the current active members, a period of 12 years, the rate of contributions required would be reduced by 3% of Pensionable Pay. **Therefore, it is recommended that the base level rate of employer contributions to be paid is 14.1% of Pensionable Pay** with additional contributions payable in respect of the special benefit groups.

Whilst this recommended employer contribution rate is a substantial increase on the current rate, it is similar to the rate paid during the 1980's and early 1990's. During the mid-1990's the Superannuation Fund had a substantial surplus primarily due to very strong investment performance and, following the Actuaries' advice, the employer contributions were set at a level which eliminated the surplus over a period of time.

Ordinarily, the revised employer contribution rates would be implemented at the start of the next financial year – i.e. 1 January 2009. However, during 2009 an exercise to rebase all Departments' Cash Limits will take place, as part of the Fundamental Spending Reviews. **Therefore, it is recommended that the revised rates are implemented with effect from 1 January 2010.**

The current States General Revenue contribution into the Superannuation Fund is £13million per annum (the remainder of the employer contributions relate to trading companies, 'trading' operations – Guernsey Dairy, Guernsey Water, States Works, Ports and Social Security Funds, etc.). The recommended employer contribution rates will require additional General Revenue funding of £7million per annum (2.4% of current Cash Limits). **Therefore, if these additional costs are not treated as outside of the Government Business Plan target (restraining the increase in revenue expenditure to RPI or less), they could only be funded by reducing in real terms all other budget headings, including pay costs.**

It should be clearly understood that the Treasury and Resources Department is responsible for recommending a funding policy for the Superannuation Fund. Irrespective of the amount of employer contributions that are made to the Fund, Members will accrue benefits which there will be a future obligation to pay. The only way in which the cost of these future payments can be cut is by increasing the employee contribution or reducing the benefits of the Scheme which would be a matter for the Public Sector Remuneration Committee to negotiate.

States Trading Companies and the Guernsey Financial Services Commission

When the States Trading Companies (Guernsey Post and Guernsey Electricity) were commercialised it was agreed that each of these would have their own separate Actuarial Account. Furthermore, following advice from the Actuaries, a separate actuarial account is also maintained for the Guernsey Financial Services Commission to ensure that there is no cross subsidy between the contributions paid to the Superannuation Fund by the Guernsey Financial Services Commission and those by other participating employers.

This arrangement is reflected in the Actuarial Valuation where the three entities have employer contribution rates set at levels that take into account their own specific situations.

Under Rules 2(2)(f) and (g) of the Superannuation Fund, the States of Guernsey determines the contribution rates payable by the States Trading Companies and any other body for which an Actuarial Account has been established. Therefore, it is proposed that, in line with the recommendations contained in the Actuarial Valuation that:

- The employer contribution rate for Guernsey Electricity Limited be increased from 16.3% to 17.3% with effect from 1 April 2009
- The employer contribution rate for Guernsey Post Limited be increased from 14.0% to 15.0% with effect from 1 April 2009
- The employer contribution rate for Guernsey Financial Services Commission be increased from 10.4% to 17.8% with effect from 1 January 2009.

States Members Pension Scheme

In October 2006, the States agreed to the establishment of the post-May 2004 contributory States Members Pension Scheme. The initial States contribution rate was, following actuarial advice, set at 25% of Basic Allowances. An additional fixed annual sum of £35,000 is also paid into the Superannuation Fund to eliminate past service deficits (relating to the pre-May 2004 contributory States Members Pension Scheme and the pre-January 1990 non-contributory States Members Pension Scheme). It is considered that these arrangements remain appropriate to fund this Scheme (which represents approximately 0.3% of the overall Superannuation Fund assets and liabilities).

Investment Management

Following the receipt of the results of the Actuarial Valuation, the Treasury and Resources Department has commissioned an in depth review of the investment strategy for the Superannuation Fund. The review will consider the levels of risk which are appropriate to the Fund's investments before modelling the assets and liabilities to produce the best asset allocation baseline. Once this work is complete at the end of October, the Department will consider any changes required to its specialist investment managers to ensure that the States are getting the best possible returns for an acceptable level of risk.

Recommendations

The Treasury and Resources Department therefore recommends the States:

- a) To note the Actuarial Valuation of the States of Guernsey Superannuation Fund as at 31 December 2007.
- b) To agree that, with effect from 1 January 2010, except for Guernsey Electricity Limited, Guernsey Post Limited and the Guernsey Financial Services Commission, the policy will be to set employer contribution rates at a

level that fully funds the costs of benefits accruing in respect of future service and 90% of the past service liabilities.

- c) To agree that, except for Guernsey Electricity Limited, Guernsey Post Limited and the Guernsey Financial Services Commission, the employer and additional employer contribution rates in respect of the States of Guernsey Superannuation Fund shall be as set out in Appendix 1 with effect from 1 January 2010.
- d) To agree that the employer contribution rate for Guernsey Electricity Limited be increased from 16.3% to 17.3% with effect from 1 April 2009.
- e) To agree that the employer contribution rate for Guernsey Post Limited be increased from 14.0% to 15.0% with effect from 1 April 2009.
- f) To agree that the employer contribution rate for the Guernsey Financial Services Commission be increased from 10.4% to 17.8% with effect from 1 January 2009.

Yours faithfully

C N K Parkinson
Minister

Appendix 1

	Proposed total employer contribution rate %pa
Base employer rate (including Teachers)	14.1
Special Benefit Groups	
Police and Firemen	
entrants on or before 31.10.91	29.1 (+15%)
entrants between 31.10.91 and 31.12.07	24.1 (+10%)
entrants after 31.12.07 Police	20.1 (+6%)
Fire	18.1 (+4%)
Senior Police and Fire Officers – entrants before 01.01.08	21.1 (+7%)
Mental Health Officers – entrants prior to 01.12.98	23.1 (+9%)
Crown Officers and Magistrates	
entrants on or before 31.10.91	24.1 (+10%)
entrants between 01.01.92 and 31.12.03	23.1 (+9%)
entrants after 01.01.04	20.8 (+6.7%)

STATES OF GUERNSEY SUPERANNUATION FUND

Actuarial Valuation as at
31 December 2007

Prepared for

The States Treasury and Resources Department

Prepared by

Steven Jones, FIA
Diana Simon, FIA

8 October 2008

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Limitations on extent to which 3rd parties can rely on advice

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GN9 compliance statement

This report has been prepared in accordance with version 8.1 of Guidance Note GN9. For information, GN9 was originally issued by the Institute and Faculty of Actuaries but was adopted by the Board for Actuarial Standards (a branch of the Financial Reporting Council) in May 2006.

Executive Summary

We have carried out an actuarial valuation of the States of Guernsey Superannuation Fund (the Fund) as at 31 December 2007. The main purposes of the valuation are to review the financial position of the Fund as a going concern, and to help establish the contributions payable to the Fund in the future.

In summary:

Proposals for 2007 valuation

- The Public Servants Combined Pool and the Teachers sections will be combined for funding purposes, to create an expanded Combined Pool Section.
- Treasury and Resources are recommending a policy that the benefits accrued to 31 December 2007 in this new section will have a targeted funding level at 31 December 2007 of 90%. The benefits accrued to 31 December 2007 in the Actuarial Accounts will have a targeted funding level of 100%.

Current Funding Positions

- At the valuation date, there was a **funding surplus** of £42,620,000 relative to the 90% target funding level in respect of the new Combined Pool. A **funding surplus** of £1,283,000 is revealed in respect of Guernsey Post Limited, corresponding to a **funding ratio** of 105.6%. A **funding surplus** of £287,000 is revealed in respect of Guernsey Electricity Limited, corresponding to a **funding ratio** of 100.8%. A **funding shortfall** of £225,000 is revealed in respect of the Guernsey Financial Services Commission, corresponding to a **funding ratio** of 97.7%.
- If the Fund had been discontinued at the valuation date we estimate that there would not have been sufficient assets to cover the liabilities for each section of the Fund using principles likely to be adopted by insurance companies for determining the cost of immediate and deferred annuities. Our estimate of the discontinuance **funding ratio** at the valuation date taking all sections together is 65.9%. Details of this calculation are set out in Section 11.

Combined Pool

- The long-term rate of Employer contributions required to be paid in the Combined Pool Section to cover the cost of benefits accruing in respect of future service amounts to 17.1% of Pensionable Pay. This rate includes an allowance of 0.25% of Pensionable Pay to meet the expenses of the Fund.
- If allowance were made for the spreading of the ongoing **funding surplus** relative to the targeted funding level in respect of the Combined Pool over the average working lifetime of the current active members, a period of 12 years, the rate of contributions required could be reduced by 3% of Pensionable Pay. **The total rate of Employer contributions to be paid following the valuation would be 14.1% of Pensionable Pay.**
- If the targeted **funding level** in the Combined Pool was 100%, there would be a **funding shortfall** of £43,994,000 corresponding to a **funding ratio** of 94.9%. If allowance were made for the spreading of this funding shortfall over the average working lifetime of the current active members, the rate of contributions required would be increased by 3.1% of Pensionable Pay. The total rate of Employer contributions required would then be 20.2% of Pensionable Pay.
- We recommend that the additional contribution rates in respect of the special benefit groups are reviewed in light of the recent changes to the benefit structure. Full details are set out in Section 7.

Executive Summary (continued)

- We recommend that the additional contributions payable in respect of the levels within the Public Servants Combined Pool, which have continued to be paid since the previous valuation, are discontinued so that a level employer contribution is paid.

Guernsey Post Limited

- We have calculated that the long-term rate of Employer contributions to cover the cost of benefits accruing in respect of future service in the Guernsey Post Limited Actuarial Account amounts to 16.4% of Pensionable Pay. This rate includes an allowance of 0.25% of Pensionable Pay to meet the expenses of the Fund.
- If allowance were made for the spreading of the ongoing **funding surplus** in respect of Guernsey Post Limited over the average working lifetime of the current active members, a period of 13 years, the rate of contributions required could be reduced by 1.4% of Pensionable Pay. We therefore recommend that the total rate of Employer contributions to be paid following the valuation should be 15.0% of Pensionable Pay.

Guernsey Electricity Limited

- We have calculated that the long-term rate of Employer contributions to be paid to cover the cost of benefits accruing in respect of future service in the Guernsey Electricity Limited Actuarial Account amounts to 17.7% of Pensionable Pay. This rate includes an allowance of 0.25% of Pensionable Pay to meet the expenses of the Fund.
- If allowance were made for the spreading of the ongoing **funding surplus** in respect of Guernsey Electricity Limited over the average working lifetime of the current active members, a period of 11 years, the rate of contributions required could be reduced by 0.4% of Pensionable Pay. We therefore recommend that the total rate of Employer contributions to be paid following the valuation should be 17.3% of Pensionable Pay.

Guernsey Financial Services Commission

- We have calculated that the long-term rate of Employer contributions to be paid to cover the cost of benefits accruing in respect of future service in the Guernsey Financial Services Commission Actuarial Account amounts to 17.4% of Pensionable Pay. This rate includes an allowance of 0.25% of Pensionable Pay to meet the expenses of the Fund.
- If allowance were made for the spreading of the ongoing **funding shortfall** in respect of Guernsey Financial Services Commission over the average working lifetime of the current active members, a period of 12 years, the additional rate of contributions required would be 0.4% of Pensionable Pay. We therefore recommend that the total rate of Employer contributions to be paid following the valuation should be 17.8% of Pensionable Pay.

General

- We recommend that the revised contribution rates for the Actuarial Accounts be implemented with effect from 1 January 2009 for Guernsey Financial Services Commission and from 1 April 2009 for Guernsey Post Limited and Guernsey Electricity Limited. The revised contribution rate for the Combined Pool will be paid from 1 January 2010.

Executive Summary (continued)

- Based on the contributions expected to be paid, if our assumptions are borne out in practice, we have calculated an estimated **funding surplus** relative to the 90% target funding level in respect of the new Combined Pool at the next valuation on 31 December 2010, which amounts to £25,252,000. If the targeted funding level in the Combined Pool was 100%, the estimated **funding shortfall** on 31 December 2010 would be £80,904,000 corresponding to a **funding ratio** of 92.4%.
- The rates of contributions payable will be reviewed at the next valuation which is due to be made as at 31 December 2010 with any changes to the employers' rates effective from 2012.
- The two pension arrangements for States Members are combined with the States of Guernsey Superannuation Fund for investment purposes. A valuation of the States Members Pension Funds has been made as at 31 December 2007. A separate report containing the results of this valuation has been prepared, however a summary of the results appears as Appendix H to this report.

1. Introduction

1.1 Regular valuations

This report, prepared for the Treasury and Resources Department of the States of Guernsey, sets out the results of our actuarial valuation of the States of Guernsey Superannuation Fund (the Fund) as at 31 December 2007.

Rule 4(1) of the Fund's Rules requires the States Treasury and Resources Department to obtain regular actuarial valuations of the Fund.

The valuation reviews the financial position of the Fund as a going concern, reviews the financial position if the Fund were discontinued at the valuation date, and helps establish what actions should be taken regarding future contribution rates.

Our previous valuation report of 22 July 2005 considered the financial position of the Fund as at 31 December 2004.

1.2 A snapshot view

This report concentrates on the Fund's funding position at the valuation date. As time moves on, the Fund's finances will fluctuate. It will therefore be necessary to carry out further valuations to monitor the position.

In the meantime, if you are reading this report some time after it was prepared, you should bear in mind that the Fund's position could have changed significantly.

We comment briefly on developments between the valuation date and the date of signing this report in section 13.

1.3 Technical Terms

A glossary of the technical terms used in this report is provided in Appendix G. These technical terms are shown in **bold type**. Pensionable Pay is as defined in the Rules of the Fund.

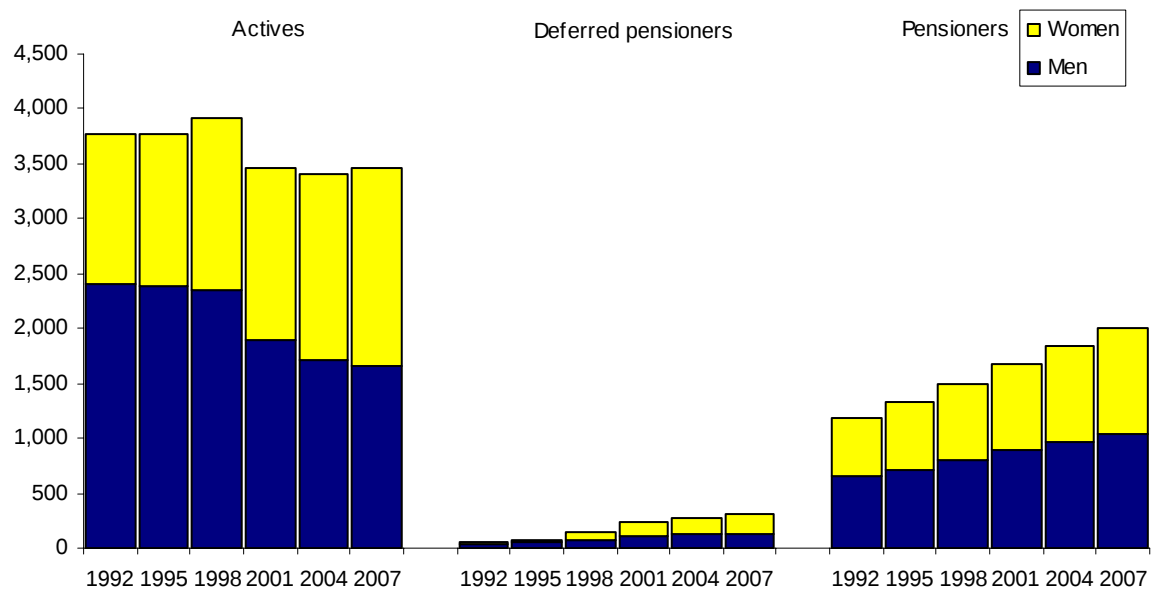
2. Data

2.1 Membership data

The valuation results are based on the membership data supplied to us by the States Payroll Section as at 31 December 2007. This is summarised in Appendix B.

2.2 Membership changes – Public Servants

Changes in the number of members of the Public Servants' Combined Pool since 31 December 1992 are illustrated below.

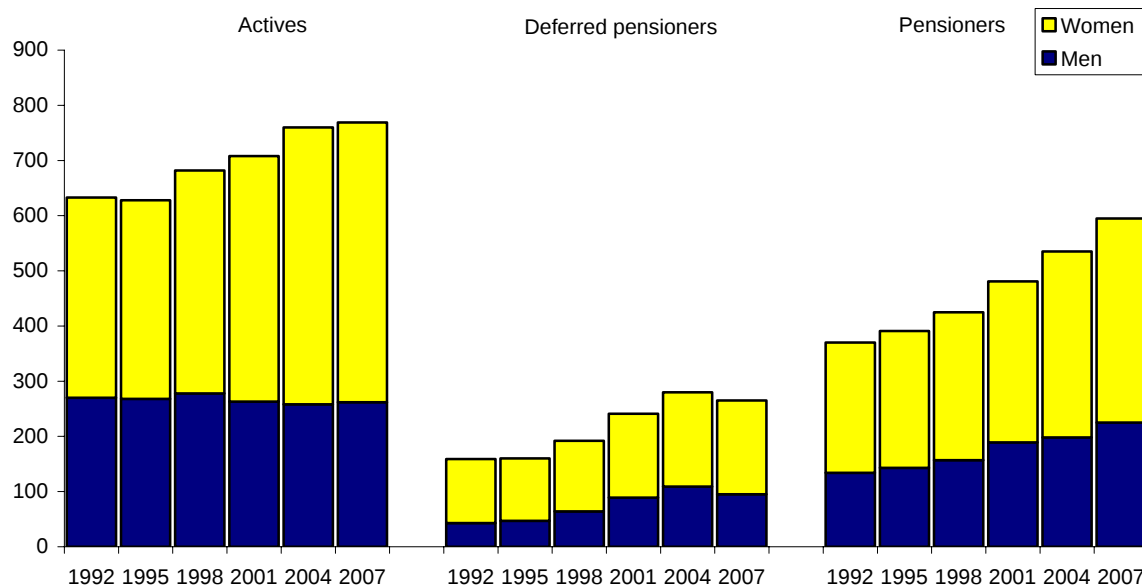


The Public Servants section has experienced a small rise in the number of active members since the previous valuation. There has been a steady increase in the number of pensioners and deferred pensioners over time.

2. Data (continued)

2.3 Membership changes – Teachers Sections

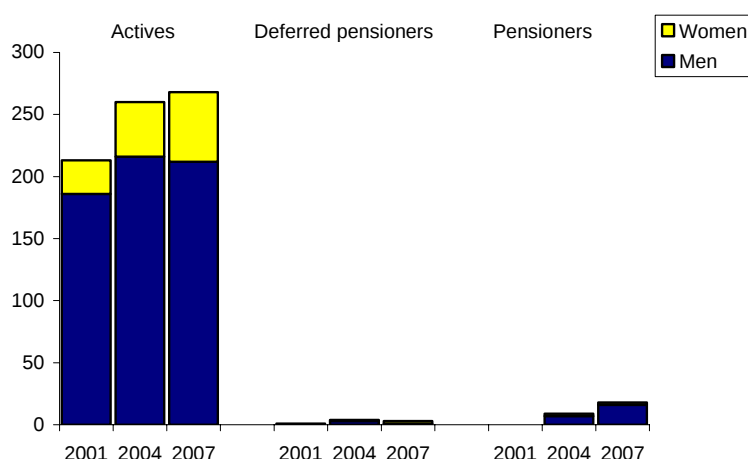
Changes in the total membership of the Teachers' Scheme and the new Teachers section of the Combined Pool since 31 December 1992 are illustrated below.



The combined Teachers sections have experienced a small rise in the number of active members since the previous valuation and a steady increase in the number of pensioners over time. There has been a small decrease in the number of deferred pensioners since the previous valuation date.

2.4 Membership changes – Guernsey Post Limited

Changes in the number of members of the Guernsey Post Limited Actuarial Account since 31 December 2001 are illustrated below.

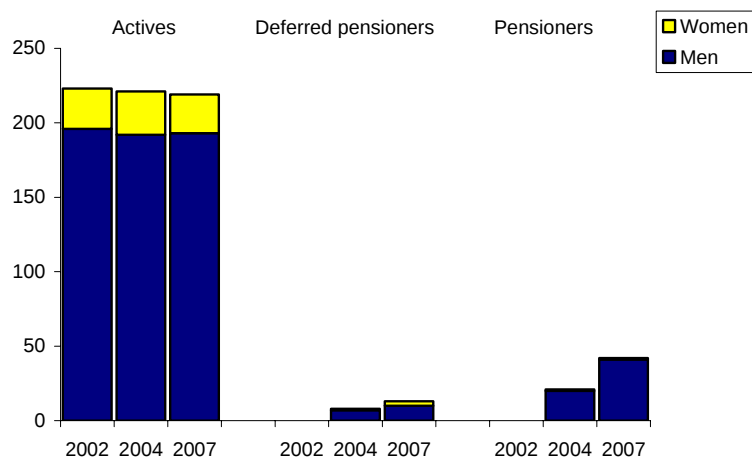


The Guernsey Post Limited Actuarial Account has experienced a small rise in the number of active members and pensioners since the previous valuation. There has been a small decrease in the number of deferred pensioners.

2. Data (continued)

2.5 Membership changes – Guernsey Electricity Limited

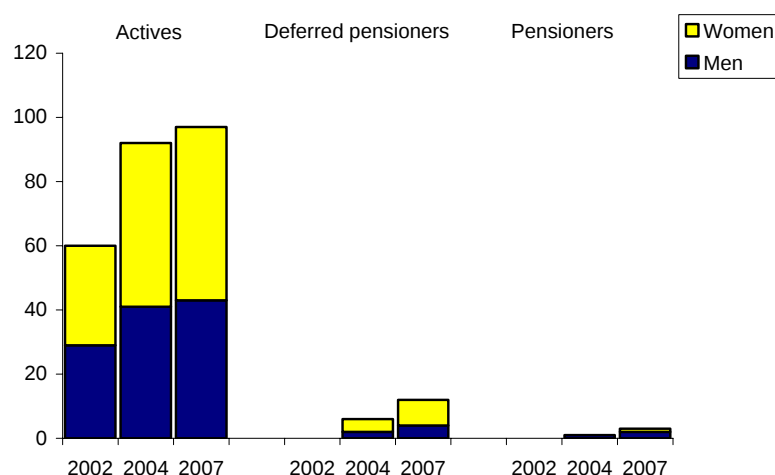
Changes in the number of members of the Guernsey Electricity Limited Actuarial Account since the Actuarial Account was established (1 February 2002) are illustrated below.



The Guernsey Electricity Limited Account has experienced a slight fall in the number of active members since the previous valuation and a slight increase in the number of deferred pensioners and pensioners.

2.6 Membership changes – Guernsey Financial Services Commission

Changes in the number of members of the Guernsey Financial Services Commission Actuarial Account since the Actuarial Account was established (1 January 2002) are illustrated below.



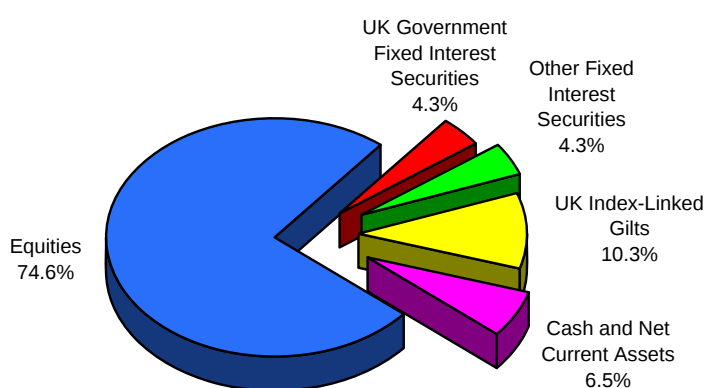
The Guernsey Financial Services Commission Actuarial Account has experienced an increase in the number of active members, deferred pensioners and pensioners since the previous valuation.

2. Data (continued)

2.7 Assets

The Fund's audited report and accounts show that its assets had a market value of £594,291,000 in respect of the Public Servants Combined Pool and £227,851,000 in respect of the combined Teachers Sections at the valuation date. The assets allocated to the Actuarial Accounts for Guernsey Post Limited, Guernsey Electricity Limited, and the Guernsey Financial Services Commission were £24,088,000, £37,476,000, and £9,702,000 respectively. The total assets held in respect of the Superannuation Fund, excluding the States Members Pension Funds amounted to £893,408,000 at the valuation date. These assets are analysed as follows:

Asset distribution



A summary of the Fund's investments at the valuation date is included in Appendix C.

2.8 Reliability of information

We have carried out some general checks to satisfy ourselves that:

- the information used for this valuation is reasonable compared with the information used for the previous valuation
- the results of this valuation can be reconciled with results of the previous valuation

However, the results in our report rely on the accuracy of the information supplied. If you believe the data we have used may be incomplete or inaccurate, please let us know.

3. Benefits

3.1 Benefits valued

The valuation is based on the benefits defined in the Fund's legal documents at the valuation date. There are no external insurance arrangements in place to provide any of the benefits of the Fund, although the death in service and ill health retirement benefits from the Guernsey Financial Services Commission Account are insured internally by the payment of a premium to the Combined Pool.

3.2 Pension increases

The pension and deferred pension increases provided by the Fund are not guaranteed in the Rules but determined by the States of Guernsey. In 1988, the States of Guernsey resolved that an increase of less than the increase in the Retail Prices Index should only be recommended if certain criteria apply. The intention is to provide pension and deferred pension increases annually on 1 January for the Combined Pool and the Actuarial Accounts based on the annual increase in the Guernsey Retail Prices Index to the preceding June. The Teachers Scheme provides pension increases based instead on the UK Retail Prices Index in line with the increases granted by the UK Teachers Scheme.

We have assumed in our calculations that the current intention of providing these increases will continue in future and have allowed fully for future pension and deferred pension increases in the economic assumptions.

3.3 Future accrual of benefits

The Fund remains open to new members, but the benefits available to new joiners have been changed from 1 January 2008 onwards.

4. Developments since the Previous Valuation

4.1 Previous valuation – Public Servants

The previous valuation showed that the Public Servants Combined Pool had a **funding shortfall** of £57,220,000 as at 31 December 2004.

The recommended basic rate of employer contributions in respect of this section was 15.9% of Pensionable Pay in respect of future service accrual. We also recommended that additional contributions be paid either at £5.6 million per annum (increasing in line with increases in the Guernsey Retail Prices Index) or at 6.1% of Pensionable Pay, in order to remove the **funding shortfall** over the average working lifetime of the active members.

The actual rate of employer contributions paid over the intervaluation period was 7.85% of Pensionable Pay, unchanged from over the previous intervaluation period.

We further recommended that the additional contribution rates payable in respect of the special benefit groups continued to be paid at the same rates as previously. These additional contributions have continued to be paid.

4.2 Previous valuation – Teachers

The previous valuation showed that the Teachers Scheme had a **funding shortfall** of £44,850,000 as at 31 December 2004.

The recommended basic rate of employer contributions in respect of this section was 17.1% of Pensionable Pay in respect of future service accrual. We also recommended that additional contributions be paid either at £4.9 million per annum (increasing in line with increases in the Guernsey Retail Prices Index) or at 17.2% of Pensionable Pay, in order to remove the **funding shortfall** over the average working lifetime of the active members.

The actual rate of employer contributions paid over the intervaluation period was 13.5% of Pensionable Pay, unchanged from over the previous intervaluation period. The same rate of contributions has been paid to the new Teachers (Combined Pool) section since its inception.

4.3 Previous valuation – Guernsey Post Limited

The previous valuation showed that the Guernsey Post Limited Actuarial Account had a **funding shortfall** of £378,000 as at 31 December 2004.

The recommended basic rate of employer contributions in respect of this section was 13.5% of Pensionable Pay in respect of future service accrual. We also recommended that additional contributions be paid at 0.5% of Pensionable Pay in order to remove the **funding shortfall** over the average working lifetime of the active members. Thus the total recommended rate of employer contributions was 14.0% of Pensionable Pay.

Following the recommendation in the valuation report, the rate of employer contributions paid into the Guernsey Post Limited Account was increased from 9.0% of Pensionable Pay to 14.0% of Pensionable Pay with effect from 1 January 2006.

4. Developments since the Previous Valuation (continued)

4.4 Previous valuation – Guernsey Electricity Limited

The previous valuation showed that the Guernsey Electricity Limited Actuarial Account had a **funding shortfall** of £3,614,000 as at 31 December 2004. In making our recommendations we took account of additional lump sum payments received from Guernsey Electricity Limited after the valuation date, which reduced the **funding shortfall** to £3,131,000.

The recommended basic rate of employer contributions in respect of this section was 16.3% of Pensionable Pay in respect of future service accrual. We also recommended that additional contributions be paid at 4.9% of Pensionable Pay in order to remove the **funding shortfall** over the average working lifetime of the active members, after taking account of the additional lump sums already paid. Thus the total recommended rate of employer contributions was 21.2% of Pensionable Pay.

Following the recommendation in the valuation report, the rate of employer contributions paid into the Guernsey Electricity Limited Actuarial Account was increased from 8.35% of Pensionable Pay to the recommended future service rate of 16.3% of Pensionable Pay with effect from 1 April 2006, and it was decided that further lump sum payments would be made in order to remove the **funding shortfall** over a shorter period. The total lump sums paid were as follows:

Year	Additional Capital Contributions
2005	£903,000
2006	£400,000
2007	£400,000

Of the payments made in 2005, £491,000 had already been taken into account in the recommendations. In all three years these contributions exceeded the additional contributions of 4.9% of Pensionable Pay that had been recommended.

4.5 Previous valuation – Guernsey Financial Services Commission

The previous valuation showed that the Guernsey Financial Services Commission Actuarial Account had a **funding surplus** of £50,000 as at 31 December 2004.

The recommended basic rate of employer contributions in respect of this section was 15.6% of Pensionable Pay in respect of future service accrual. This included the cost of insuring the death in service and ill health retirement benefits within the Combined Pool, which we calculated as 1.15% of Pensionable Pay. We also recommended that the **funding surplus** be eliminated by a contribution reduction of 0.1% of Pensionable Pay over the average working lifetime of the active members. Thus the total recommended rate of employer contributions was 15.5% of Pensionable Pay.

The actual rate of employer contributions paid over the intervalation period was 10.4% of Pensionable Pay, unchanged from over the previous valuation period.

4. Developments since the Previous Valuation (continued)

4.6 Teacher Sections

During the intervaluation period, members of the Teachers Scheme were offered the opportunity to transfer to a new section within the Combined Pool, the Teachers Combined Pool section, with effect from 1 November 2005. Pensions in this new section would receive increases in line with Guernsey inflation rather than UK inflation. In addition, the Teachers Scheme was closed to new members on 31 October 2005. All new teachers join the Teachers Combined Pool section.

4.7 Benefit Changes

Following a review of benefits carried out during the intervaluation period, a new benefit structure has been introduced for all members who join the Fund on or after 1 January 2008. This applies to members of all sections. The most fundamental change is that pensions accrue on a $1/60^{\text{th}}$ rate rather than on $1/80^{\text{th}}$ and that there is no automatic terminal grant payable in respect of these members. The age of normal retirement for new members not in a special benefit group has been increased to 65.

The benefits available to existing members were also amended. The lump sum available on death in service was increased from 2 x Pensionable Pay to 3 x Pensionable Pay. The calculation of reckonable service in respect of ill health retirements and death in service spouse's pensions was changed and there are now two tiers of ill health retirement benefits, with higher tier benefits awarded in cases of Total Incapacity.

The option to commute part of the member's pension for a lump sum at retirement was introduced for all members. This lump sum is additional to the terminal grant automatically paid to existing members.

Following these changes the basic member contribution rate was increased from 6% of Pensionable Pay to 6.5% of Pensionable Pay.

As the valuation took place as at 31 December 2007 the membership used for the calculations did not include any members on the new benefit structure. Thus the contribution rates recommended are those applicable to the current membership of the Fund at 31 December 2007. These rates should be applied in respect of new members who join on or after 1 January 2008 until the next valuation at 31 December 2010 when the effect of members joining on the new benefit structure can be assessed.

We have reviewed the additional contribution rates applicable to the special benefit groups in the Combined Pool in light of the benefit changes and our recommendations are set out in Section 7. As the benefit enhancements are different for members on the new benefit structure these additional rates will be different for members who join from 1 January 2008 onwards.

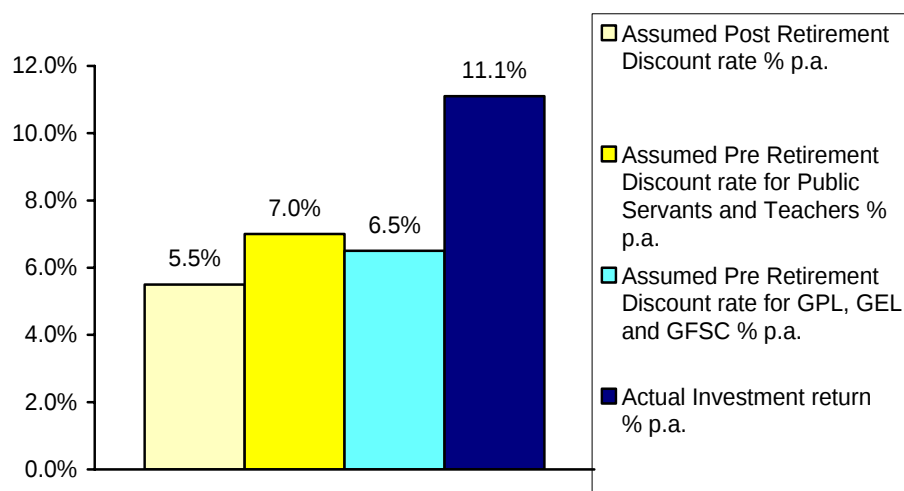
4.8 Financial development

A variety of factors affect the financial position of the Fund, including investment returns, changes in the yields on gilts, pension increases and pay increases. To illustrate the Fund's financial development since the previous valuation, we have compared in the charts below:

4. Developments since the Previous Valuation (continued)

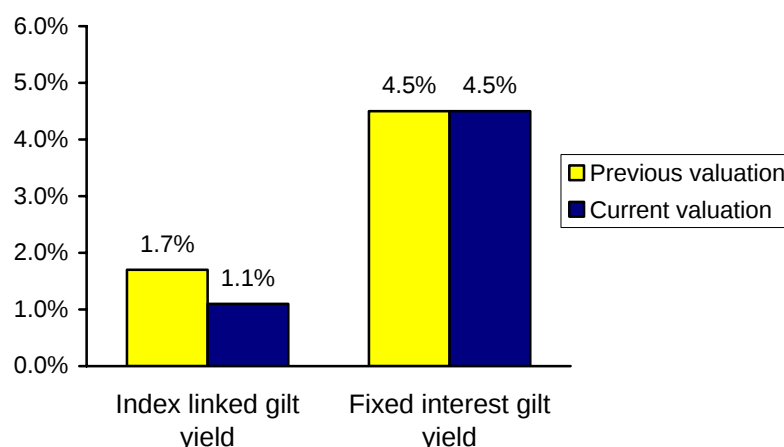
- the investment return achieved on the Fund's assets with the **discount rate** used to calculate the Fund's **funding target**;
- the yields on index-linked gilts and fixed interest gilts at the previous valuation with the yields at this valuation;
- the assumptions made at the previous valuation for pension and pay increases with the increases actually awarded.

Investment return achieved compared with discount rate used



Over the three years since the previous valuation the rate of investment return achieved on the Fund was higher than expected.

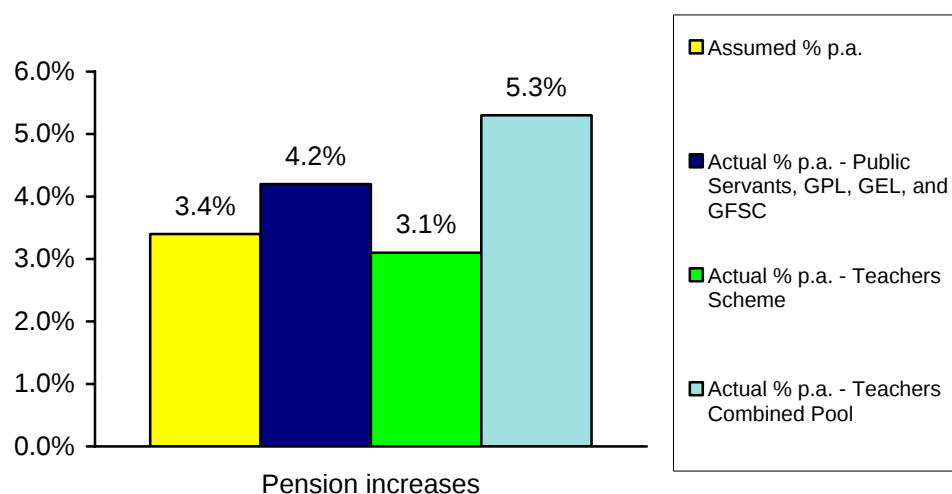
Comparison of Gilt Yields



During the intervaluation period the yields on index-linked gilts have fallen, while the yields on fixed interest gilts have returned to their initial value. The widening of the gap between fixed interest gilt yields and index-linked gilt yields indicates the market's expectation of an increase in future rates of inflation. In addition, part of this fall in index-linked gilt yields reflects an increased demand for this type of investment.

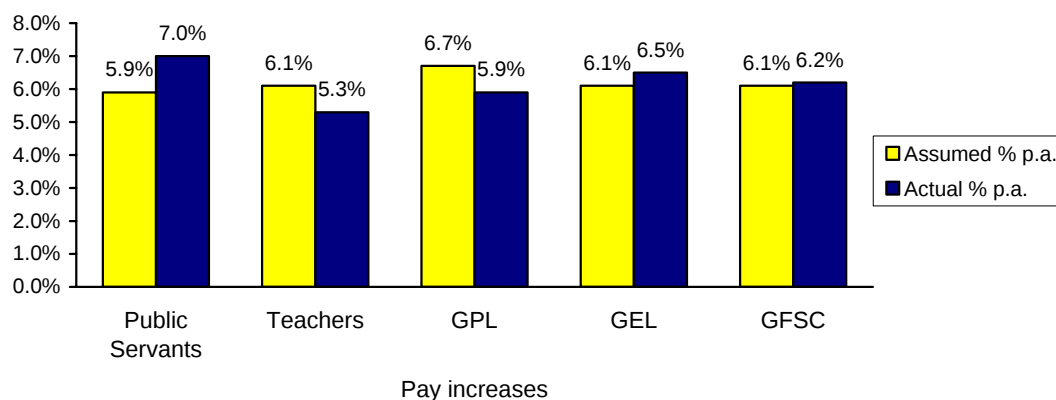
4. Developments since the Previous Valuation (continued)

Pension increase comparison



Average pension increases during the intervaluation period have been higher than expected for most sections. The average pension increase for the Teachers Scheme was lower as this increase is based on UK RPI, rather than on Guernsey RPI. The pension increase for the Teachers Combined Pool section is higher than for the other sections because of the timing of the increases awarded after the transfer to the new section.

Pay increase comparison



Average pay increases over the intervaluation period have been higher than expected for the Public Servants section and the Guernsey Electricity Limited Actuarial Account, but lower than expected for Teachers and for the Guernsey Post Limited Actuarial Account. Pay increases in the Guernsey Financial Services Commission Account have been broadly in line with expectations.

The general expected pay increase for all sections was 4.4% pa. The expected pay increase figures in the table above include expected promotional increases for each section for the members who were present at both valuation dates and will reflect the different age profiles of these members in each section.

5. Funding Objective

5.1 Introduction

A **funding target** is an assessment of the **present value** of the benefits that will be paid from a pension scheme in the future, based on pensionable service prior to the valuation date. In order to calculate a **funding target**, assumptions need to be made about the various factors that will influence the scheme in the future, such as the level of pay increases, when members will retire and how long members will live. These assumptions are used to project the future cash flows out of the scheme, which are then discounted back to the valuation date using the assumed rate of investment return to place a **present value** on the scheme's liabilities, ie the **funding target**.

5.2 Rule Requirements

Under Rule 2 of the Fund, the States of Guernsey determine the employer contributions to be paid into the Fund. For the Teachers Scheme this is covered by Regulation 68.

The funding objective and the level of contributions payable is therefore determined by the States of Guernsey. In accordance with Rules 2(2)(f) and (g), the States of Guernsey also determine the contribution rates payable by the States Trading Companies and any other body for which an Actuarial Account has been established.

5.3 Setting the funding objective

The funding objective is that the Fund should meet its **funding target**.

The **funding target** proposed by Treasury and Resources for the Combined Pool is that benefits accrued at 31 December 2007 should be 90% funded at 31 December 2007.

The **funding target** for the Actuarial Accounts is that their liabilities should be 100% funded.

5.4 The funding target

Pension scheme liabilities are a series of future cash payments. Other than immediate and deferred annuities provided by an insurance company, the assets that would provide the closest match to these cashflows are a combination of fixed interest and index-linked gilts. Hence a **funding target** could be equal to the **present value** of the expected payments discounted at the market yields on gilts of appropriate term. The expected payments for active members would relate to pensionable service up to the valuation date and would include an allowance for expected future increases to Pensionable Pay.

However, funded occupational pension schemes may not hold assets which are equal to the full amount of the liabilities valued in this way. Instead, the **funding target** could be set at a lower level.

The **funding targets** assume the Fund continues in its present form. This is not the same as the cost of securing the benefits if the Fund were to wind-up.

5. Funding Objective (continued)

The Fund's assets are currently largely invested in equities. This investment strategy is expected to produce a higher return than gilts over the long term. The States of Guernsey have decided to take part of this higher expected return into account in the **funding target** and to accept the funding risks that this involves. The **funding target**, assuming 100% funding, is therefore calculated as the **present value** of the expected payments discounted at the market yields on gilts of appropriate term plus 2.0% pa. In the case of the Combined Pool this value is then reduced to 90% of the calculated value in accordance with the **funding target** proposed by Treasury and Resources as described in paragraph 5.3.

The assumptions adopted are set out in section 6.

The solvency position if the Fund were to discontinue is considered separately in section 11.

5.5 Speed of reaching funding target

An adjustment to the contribution rate could be used to eliminate a **funding surplus** or a **funding shortfall** relative to the **funding target** over an agreed period of time. There are a number of ways in which such an adjustment may be determined. For example the **funding surplus** or **shortfall** for each section could be eliminated over the future working lives of the section's current active membership. Alternatively the **funding surplus** or **shortfall** could be eliminated over a shorter, fixed, period. It is proposed that the **funding surplus** or **shortfall** is eliminated over the future working lives of the current active membership.

5.6 Funding target - method

If each section of the Fund had no **funding surplus** or **funding shortfall** and its assets were exactly equal to its **funding target**, contributions would still be required to cover the cost of benefits expected to accrue to members in the future.

Following our recommendations, it has been agreed to use the **Projected Unit Method** with a 1 year control period to calculate this future service contribution rate. This measures the increase in the **funding target** (assuming 100% funded) relating to benefits expected to accrue to active members over the year following the valuation date.

The **Projected Unit Method** was also adopted for the previous valuation. It assumes that there will be sufficient new entrants for the future service contribution rate to remain stable until the next valuation.

5.7 Comparison with funding objectives for previous valuation

The funding objective is unchanged from the previous valuation of the Fund.

A revised **funding target** of 90% of accrued liabilities as at 31 December 2007 has been proposed for the Combined Pool for this valuation. The **funding target** in previous valuations has been 100% of accrued liabilities.

5. Funding Objective (continued)

5.8 Stability of contribution rate

The contribution rate for each section of the Fund will remain broadly stable before and after eliminating a **funding surplus** or a **funding shortfall** if the funding objective remains unchanged, all assumptions made are borne out in practice and the age/sex/salary profile of the active membership of the section is stable. If the funding objective changes, contribution rates are likely to change.

However, as the Combined Pool liabilities are targeted to be 90% funded at the valuation date but 100% of the benefits are to be paid from the Fund, the funding level for benefits accrued at 31 December 2007 would be expected to fall by the time of the next valuation and additional contributions may be required at that time.

6. Assumptions used to calculate Funding Target

6.1 Facts and assumptions

The benefit structure of the Fund, its membership and its assets at the valuation date are all known facts. However, the Fund's future finances also depend on uncertain factors such as future investment returns, pay and pension increases, how long members live and employee turnover. Assumptions are therefore needed about the long-term future, covering the period until all the present members have retired and all benefits arising from their membership have been paid.

6.2 Sensitivity of assumptions

Although the valuation results are sensitive to the choice of the absolute levels of the financial assumptions, it is important to note that the differences between the rates have a bigger impact on the results of the valuation than the absolute levels of each assumption. Hence the valuation results are particularly sensitive to the difference between the **discount rate** and the rate of pay or pension increases.

The valuation results are also sensitive to the assumptions made for the life expectancy of current and prospective pensioners.

These sensitivities are considered further in section 12.

6.3 Derivation of financial assumptions

As set out in section 5, we have set the **discount rate** used to calculate the **funding target** equal to the yield on fixed interest gilts of appropriate term at the valuation date plus 2.0% pa both for active members and deferred pensioners over the period to retirement and during the period while benefits are in payment to pensioners.

The inflation assumption has been derived from the difference between the yield on fixed interest gilts and the yield on index-linked gilts at the valuation date combined with an allowance of 0.5% to allow for the higher levels of inflation experienced locally in recent years compared with that in the UK.

We have assumed that pensions for all sections except the Teachers Scheme will increase at the rate of local inflation during deferment and when in payment. For the Teachers Scheme pension increases are instead linked to UK inflation, so we have assumed that pensions will increase at the rate of UK inflation during deferment and when in payment.

We have assumed that Pensionable Pay will increase at the rate of local inflation plus 0.75% pa for all sections. In addition we have allowed for promotional salary scales as described in Appendix D.

In our opinion, the derivation of financial assumptions in this way is compatible with taking assets at market value.

The table below shows the key financial assumptions used for this valuation and those used for the previous valuation.

6. Assumptions used to calculate Funding Target (continued)

Key financial assumptions		
	Current valuation % pa	Previous valuation % pa
Post-retirement outperformance premium over gilts	2.0	1.0
Pre-retirement outperformance premium over gilts for Combined Pool	2.0	2.5
Pre-retirement outperformance premium over gilts for GPL, GEL, and GFSC	2.0	2.0
Post-retirement discount rate	6.5	5.5
Pre-retirement discount rate for Combined Pool	6.5	7.0
Pre-retirement discount rate for GPL, GEL, and GFSC	6.5	6.5
UK Price inflation	3.4	2.9
Guernsey Price Inflation	3.9	3.4
Pay increases	4.65	4.4
Pension increases – Teachers Scheme	3.4	3.4
Pension increases – All Other Sections	3.9	3.4

6.4 Financial assumptions

The valuation results are sensitive to the choice of financial assumptions. 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 from market yields at the valuation date to ensure compatibility with the market value of the assets.

6.5 Changes in financial assumptions

The main reason for the changes in the financial assumptions from 31 December 2004 to 31 December 2007 is the change in index-linked gilt yields over the period which has led to an increase in the assumed rate of inflation.

We have also updated the outperformance premiums applied to the gilt yields in the derivation of the discount rates to take account of the current long term investment strategy. For the previous valuation, we applied an outperformance premium of 2.5% for pre-retirement liabilities for Public Servants and for Teachers, a premium of 2.0% for pre-retirement liabilities for the Actuarial Accounts and a premium of 1.0% for post-retirement liabilities. It has been agreed that for this valuation the same outperformance premiums will be applied in respect of all sections and both pre and post-retirement. This reflects the fact that the investment strategy is not expected to change materially over time.

We have revised our assumption for general pay increases from the rate of inflation plus 1% pa to the rate of inflation plus 0.75% pa as this was found to be more appropriate after completing our analysis of pay increases over the intervalation period.

6. Assumptions used to calculate Funding Target (continued)

6.6 Changes to post-retirement mortality assumption

The post-retirement mortality assumption consists of two components; the base mortality table and the allowance for future improvements in life expectancy. The base mortality table reflects the mortality rates which are currently being experienced by the Fund's pensioners and the allowance for improvements reflects how the longevity of pensioners is expected to improve in future.

6.6.1 Base Mortality Table

The actuarial profession has published mortality tables based on an analysis of UK mortality rates during a three year period centred on the year 2000. These tables are referred to as the "00" tables and, following our recommendations, it has been agreed to adopt these tables, with adjustment from 2000 to the valuation date as described below, for this valuation. In isolation, the tables do not include any allowance for further improvements in life expectancy going forward.

6.6.2 Future Improvements

It has been common practice for some time to apply improvement factors to the base tables to allow for chronological improvements in mortality. The actuarial profession's mortality investigations are ongoing and the latest research indicates that it is appropriate to use the "cohort improvement" factors together with an underpin to the future improvements to make adequate allowance for improvements in longevity.

The cohort improvement factors reflect the large improvements in longevity experienced by those born broadly between the two World Wars. However, used on their own, the cohort improvement factors project a reduction in the improvements over the long term, ultimately reducing to zero. This does not reflect recent trends which show year on year improvements in longevity. Therefore, we recommend that an underpin is applied to the future improvements so that rather than reducing to zero, the improvements reduce to the level of the underpin.

There is a broad range in which the long term level of longevity improvements could fall. While it seems plausible that improvements will not continue indefinitely at the high rates currently experienced, it seems unreasonable to assume that there will be a time when life expectancy ceases to increase further. Therefore, our recommendation is to use an underpin that seeks to set a reasonably prudent middle course amongst the potential extremes of the uncertain pattern of future mortality improvements.

Following our recommendations, it has been agreed to adopt the 00 base tables together with the Medium Cohort improvement factors, incorporating an underpin to the annual improvements in mortality rates of 1.25% pa for males and 0.75% pa for females. Improvements have been applied from 2008 for pensioners in all sections other than Teachers and from 2000 for Teachers and for all dependants.

For members who retire in ill-health we have applied the base "00" tables with no allowance for future mortality improvements.

6. Assumptions used to calculate Funding Target (continued)

These post-retirement mortality assumptions imply the following life expectancies for members who retire in normal health at age 65:

Life expectancy at age 65	Males	Females
Current 65 Year Old – Public Servants	20.4	22.6
Current 65 Year Old – Teachers	22.5	24.3
Current 45 Year Old, assuming survival to age 65 – Public Servants	22.8	24.2
Current 45 Year Old, assuming survival to age 65 – Teachers	24.9	25.8

6.7 Changes to other demographic assumptions

Following our recommendations, it has been agreed to adopt other assumptions which differ from those used at the previous valuation. These have been based on an analysis of the experience of the Fund over the intervaluation period.

6.7.1 Active Mortality

The size of the Fund is too small to draw any meaningful conclusions from an analysis of the mortality of active members. Accordingly, we have adopted the most recently published standard tables, the 00 tables, for the pre-retirement mortality assumption.

6.7.2 Normal Retirement Rates

For the previous valuation we adopted different rates of retirement for pre and post 1972 entrants. As there are now fewer members who joined the Fund pre 1972, we have adopted the same rate for pre and post 1972 entrants for this valuation.

The experience of the unestablished Public Servants members over the intervaluation period showed that fewer male and female unestablished staff retired in the age range 61-64 than expected based on the assumptions made at the 2004 valuation. We have revised our rates to allow for this experience.

The experience of the established members of the Public Servants over the intervaluation period showed that fewer female established staff than expected retired at or before age 60. Our previous assumption was that 100% of female established staff would retire at age 60. We have revised the assumption to allow for this experience.

Retirement rates for the other groups were found to be appropriate and so we have retained the same assumptions for this valuation.

At the previous valuation we did not specifically analyse which normal health retirement rates would be appropriate for the Actuarial Accounts, and instead adopted those that were found to be appropriate for Public Servants. For this valuation we have used the rates adopted for male established staff and used them for male and female staff of both Guernsey Post Limited and Guernsey Electricity Limited. These rates have been found to be appropriate when considering the experience of these Actuarial Accounts over the intervaluation period.

6. Assumptions used to calculate Funding Target (continued)

For Guernsey Financial Services Commission, we have assumed that all current active members retire at age 60. There was insufficient data over the intervaluation period to carry out a meaningful experience analysis.

6.7.3 Ill Health Retirement Rates

Our experience showed that the actual numbers of ill health retirements were generally lower for most groups than the expected numbers on the assumptions adopted for the 2004 valuation. We have revised our ill health retirement assumptions to reflect actual experience.

As there are now two tiers of ill health retirement benefit from 1 January 2008 we need to make an assumption as to what proportion of ill health retirements would receive each benefit. As there is not yet any experience in this area we have assumed that 50% of ill health retirements would relate to each tier. This assumption will be reviewed at the next valuation in light of actual experience.

6.7.4 Withdrawals

Our experience showed that the number of withdrawals has greatly exceeded the expected number on the assumptions adopted for the 2004 valuation. We have revised our assumptions for some groups to anticipate a higher number of withdrawals over the next intervaluation period.

Previously we assumed that all leavers would take a transfer value. In practice only a very small proportion of leavers have taken a transfer value. For this valuation we have assumed that 75% of members who leave will take a refund (50% for Teachers and Guernsey Financial Services Commission members) with the remaining members taking deferred benefits.

6.7.5 Commutation

The option for members to commute part of their pension in order to obtain a larger lump sum was introduced with effect from 1 January 2008 and hence the assumption regarding how much additional lump sum would be taken was not relevant at the 2004 valuation.

Members who were members of the Fund at 31 December 2007 are entitled to receive a pension and a lump sum calculated in accordance with a formula set out in the Rules of the Fund. These members may now opt to commute part of their pension to receive a larger lump sum (and consequently a smaller pension). The rate of converting pension into lump sum is set out in the Rules of the Fund.

As this is a new option from 1 January 2008 we do not yet have any experience from the Fund on which to base our assumptions. However, this option in other schemes is typically exercised by members to the fullest extent possible.

We have assumed that current members will commute their pensions to the extent required to receive 75% of the maximum lump sum available to them. This assumption will be reviewed at the next valuation in light of actual experience.

6. Assumptions used to calculate Funding Target (continued)

6.8 Net effect of changes in assumptions

Overall these changes increase the value placed on the Fund's liabilities compared with the previous valuation.

7. Funding Position – Combined Pool

7.1 Funding shortfall

The funding objective is to bring the assets of each section of the Fund into line with the **funding target**. As the intention following the valuation is to combined the Public Servants Combined Pool and the Teachers Sections for funding purposes, we have combined the assets and liabilities of these sections to form a new Combined Pool. We have therefore compared the market value of the assets in the Fund in respect of the new Combined Pool with the proposed **funding target** as at the valuation date. The result of this comparison is as follows:

	£'000	£'000
Value of past service ongoing liabilities:		
Active members	434,470	
Deferred pensioners and Refunds Due	54,251	
Pensioners and dependants	377,415	
Total past service liabilities		866,136
Funding target (90% of accrued liabilities)		779,522
Market value of the assets		822,142
Funding surplus		42,620

The new Combined Pool has a **funding surplus** of £42,620,000 relative to the proposed 90% **funding target** of £779,522,000.

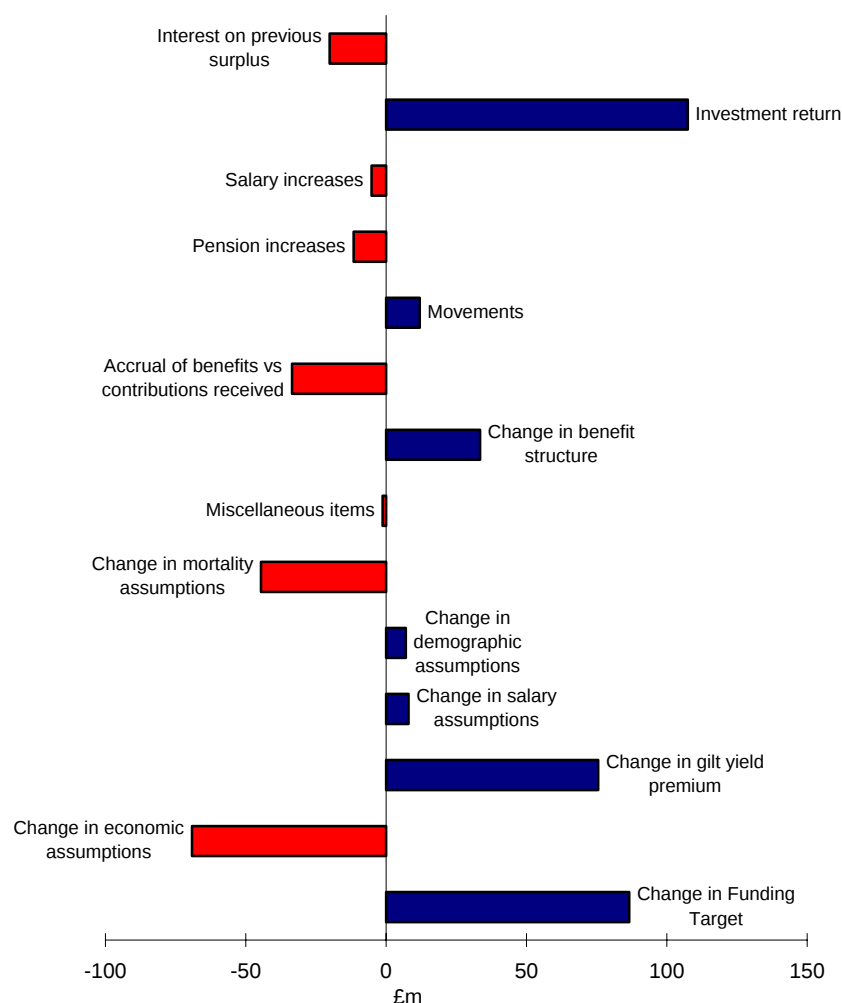
The liabilities in respect of active members include a reserve for the potential death in service and ill health retirement benefits for Guernsey Financial Services Commission which are funded for within the Combined Pool and for which Guernsey Financial Services Commission pay an appropriate contribution to the Combined Pool.

The assets actually represent 94.9% of the total liabilities of these sections. If the **funding target** had been 100% of accrued liabilities, a **funding shortfall** of £43,994,000 would have been revealed.

7.2 Change in funding position

At the previous valuation the Combined Pool of the Public Servants section and the Teachers Scheme had a combined **funding shortfall** of £102,070,000. The funding position has therefore improved by £144,690,000 since the previous valuation. We have analysed below the reasons for the change, indicating the impact of each factor on the valuation result this time.

7. Funding Position – Combined Pool (continued)



The main reasons for the change in the past service position (before allowing for the changes in the assumptions) are:

- the investment return obtained on the assets was much higher than assumed
- changes to the benefit structure including the changes to the service definitions used for ill health retirement and death in service spouse's benefits as well as the ability to commute pensions on retirement had the effect of lowering the anticipated cost of benefits
- there were more withdrawals from service than anticipated at the previous valuation
- the change in funding target to 90% from 100%

These effects were partly offset by the following:

- the actual rate of contributions paid during the inter-valuation period was much lower than the cost of accruing benefits
- the actual levels of pay and pension increases granted since the previous valuation were higher than assumed

7. Funding Position – Combined Pool (continued)

The net effect of the changes in financial and demographic assumptions at this valuation has been to increase the value placed on the liabilities (assuming an unchanged target funding level) in respect of the Combined Pool. These changes include:

- the change in index-linked gilt yields led to a higher rate of assumed inflation, thus increasing the value placed on the liabilities
- the change in the outperformance premiums included in the discount rate has reduced the value placed on the liabilities
- the assumed rate of increase in Pensionable Pay in excess of inflation was reduced for this valuation, partly offsetting the effect of the higher inflation assumption
- the effect of the changes made to the post-retirement mortality assumptions has been to increase the value placed on the liabilities
- the net effect of the changes in the demographic assumptions regarding retirements and withdrawals has been to reduce the value placed on the liabilities

7.3 Future benefit accrual

We have also calculated the employer contribution rate for benefits expected to accrue to members in future. This is the rate of contribution that would normally be appropriate if there was no **funding surplus** or **funding shortfall** and the assets were exactly equal to the **funding target** (based on 100% funding).

The method we have used to calculate this is the **projected unit method**. This measures the increase in the **funding target** (based on 100% funding) relating to benefits expected to accrue to members over the year following the valuation.

The employer's future service contribution rate on the basis of our assumptions is 17.1% of Pensionable Pay including an allowance for expenses of 0.25%. The corresponding combined rate at the previous valuation was 16.2%. The reasons for the increase at this valuation are:

- the increase in the death in service lump sum payment
- the changes made to the valuation assumptions, in particular the increase in expected inflation and the changes made to the post-retirement mortality assumptions

These effects were partly offset by the 0.5% increase in member contributions paid from 1 January 2008.

Additional contribution rates in excess of the basic employer rate are required in respect of the special benefit groups. We have reviewed the additional rates that are required for each of these groups as part of this valuation.

A summary of the future service contribution rates applicable to each group is set out below.

7. Funding Position – Combined Pool (continued)

	Proposed Employer future service contribution rate % pa
Base employer rate	17.1
Special Benefit groups	
Police and Firemen	
entrants on or before 31.10.91	32.1 (+15%)
entrants between 31.10.91 and 31.12.07	27.1 (+10%)
entrants after 31.12.07	
Police	23.1 (+6%)
Fire	21.1 (+4%)
Senior Police and Fire Officers – entrants before 01.01.08	24.1 (+7%)
Mental Health Officers – entrants prior to 01.12.98	26.1 (+9%)
Crown Officers	
entrants on or before 31.10.91	27.1 (+10%)
entrants between 01.01.92 and 31.12.03	26.1 (+9%)
entrants after 1.1.04	23.8 (+6.7%)

7.4 Allowance for funding surplus

We have also calculated the required contribution rate assuming that the **funding surplus** relative to the proposed **funding target** would be amortised over the average working lifetime of the current active members, a period of 12 years. Allowing for this amortisation period, the required basic rate of employer contributions would reduce by 3% of Pensionable Pay, to 14.1% of Pensionable Pay.

This compares with the current basic contribution rate for the Public Servants of 7.85% of Pensionable Pay and 13.5% of Pensionable Pay for Teachers.

The additional contribution rates for the special groups, as set out above, would also be paid.

If the targeted funding level was 100% and the **funding shortfall** revealed amortised over the average working lifetime of the current active members, an increase of 3.1% of Pensionable Pay would be required resulting in a total Employer contribution rate of 20.2% of Pensionable Pay.

7.5 Transfer value coverage

It is necessary to consider the impact of paying **transfer values** from the Fund as payment of a **transfer value** should not adversely affect the security of the benefits of the remaining members of the Fund.

To assess this we have calculated the value of the active and deferred liabilities on the Fund's current **transfer value** basis. As pensioners are not permitted to transfer their benefits we have valued the pensioner liabilities using the Fund's funding basis. The results of this calculation are that it is possible for the Fund to pay **transfer values** without adversely affecting the security of the remaining members' benefits. This would still be the case if the Funds' assets were equal to its **funding target**.

8. Funding Position – Guernsey Post Limited

8.1 Funding surplus

The funding objective is to bring the assets of each section of the Fund into line with the **funding target**. We have therefore compared the market value of the assets in the Fund in respect of the Guernsey Post Limited Actuarial Account with the **funding target** as at the valuation date. The result of this comparison is as follows:

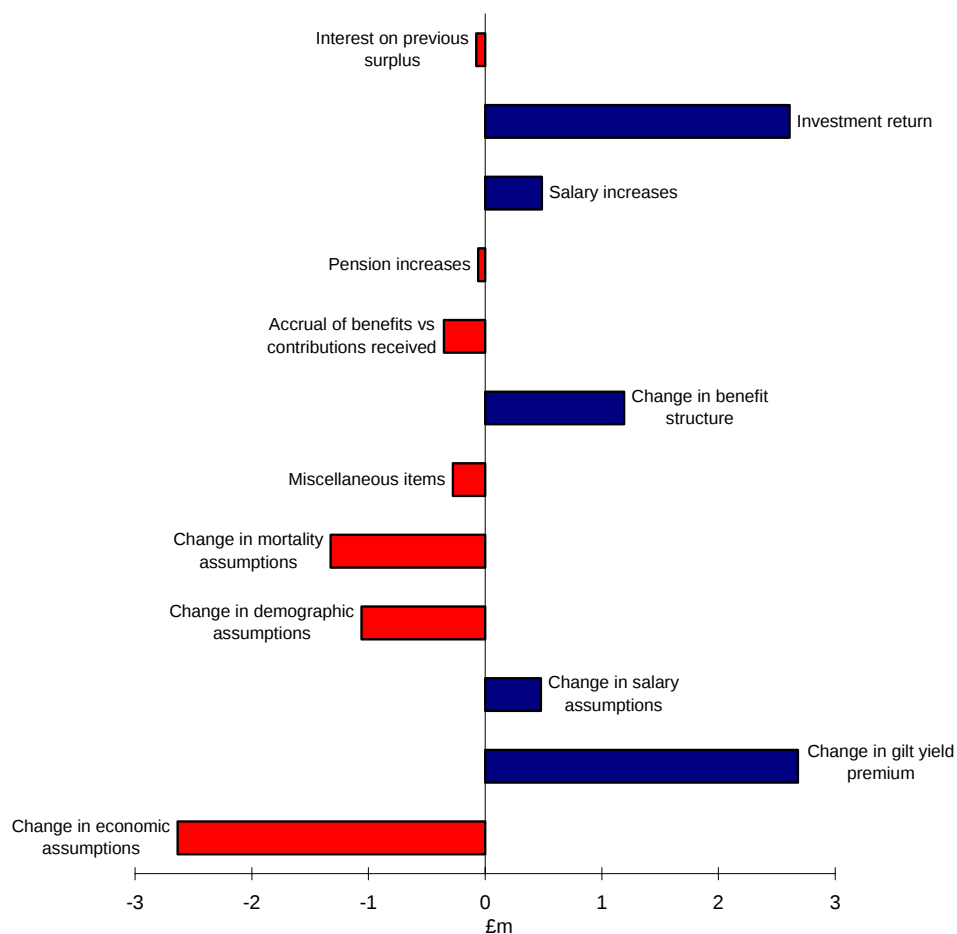
	£'000	£'000
Value of past service ongoing liabilities:		
Active members	18,967	
Deferred pensioners and Refunds Due	486	
Pensioners and dependants	3,352	
Funding target		22,805
Market value of the assets		24,088
Funding surplus		1,283
Funding ratio		105.6%

The Guernsey Post Limited Actuarial Account has a **funding surplus** of £1,283,000 relative to the **funding target** of £22,805,000 and a **funding ratio** (assets as a proportion of the **funding target**) of 105.6%.

8.2 Change in funding position

At the previous valuation the Guernsey Post Limited Actuarial Account had a **funding shortfall** of £378,000. The funding position has therefore improved by £1,661,000 since the previous valuation. We have analysed below the reasons for the change, indicating the impact of each factor on the valuation result this time.

8. Funding Position – Guernsey Post Limited (continued)



The main reasons for the change in the past service position (before allowing for the changes in the assumptions) are:

- the investment return obtained on the assets was much higher than assumed
- changes to the benefit structure, including the changes to the service definitions used for ill health retirement and death in service spouse's pensions as well as the ability to commute pensions on retirement had the effect of lowering the anticipated cost of benefits
- the actual level of pay increases granted since the previous valuation was lower than assumed

These effects were partly offset by the following:

- the actual rate of contributions paid during the inter-valuation period was slightly lower than the cost of accruing benefits

The net effect of the changes in financial and demographic assumptions at this valuation has been to increase the value placed on the liabilities in respect of the Guernsey Post Limited Actuarial Account. These changes include:

- the change in index-linked gilt yields led to a higher rate of assumed inflation, thus increasing the value placed on the liabilities
- the change in the outperformance premium included in the discount rate has reduced the value placed on the liabilities

8. Funding Position – Guernsey Post Limited (continued)

- the assumed rate of increase in Pensionable Pay in excess of inflation was reduced for this valuation, partly offsetting the effect of the higher inflation assumption
- the effect of the changes made to the post-retirement mortality assumptions has been to increase the value placed on the liabilities
- the net effect of the changes in the demographic assumptions regarding retirements and withdrawals has been to increase the value placed on the liabilities

8.3 Future benefit accrual

We have also calculated the employer contribution rate for benefits expected to accrue to members in future using the same method as was adopted for the Combined Pool.

The employer's future service contribution rate on the basis of our assumptions is 16.4% of Pensionable Pay including an allowance for expenses of 0.25%. The corresponding rate at the previous valuation was 13.5%. The reasons for the increase at this valuation are:

- the increase in the death in service lump sum payment
- the changes made to the valuation assumptions, in particular the increase in expected inflation and the changes made to the post-retirement mortality assumptions

These effects were partly offset by the 0.5% increase in the member contributions paid since 1 January 2008.

8.4 Allowance for funding surplus

We have also calculated the required contribution rate assuming that the **funding surplus** would be amortised over the average working lifetime of the current active members, a period of 13 years. Allowing for this amortisation period, the required rate of employer contribution would reduce by 1.4% of Pensionable Pay to 15.0% of Pensionable Pay.

This compares with the current contribution rate for Guernsey Post Limited of 14.0% of Pensionable Pay.

8.5 Transfer value coverage

It is necessary to consider the impact of paying **transfer values** from the Fund as payment of a **transfer value** should not adversely affect the security of the benefits of the remaining members of the Fund.

To assess this we have calculated the value of the active and deferred liabilities on the Fund's current **transfer value** basis. As pensioners are not permitted to transfer their benefits we have valued the pensioner liabilities using the Fund's funding basis. The results of this calculation are that it would be possible for the Fund to pay **transfer values** without adversely affecting the security of the remaining members' benefits. This would still be the case if the assets in respect of the Actuarial Account were equal to its **funding target**.

9. Funding Position – Guernsey Electricity Limited

9.1 Funding surplus

The funding objective is to bring the assets of each section of the Fund into line with the **funding target**. We have therefore compared the market value of the assets in the Fund in respect of the Guernsey Electricity Limited Actuarial Account with the **funding target** as at the valuation date. The result of this comparison is as follows:

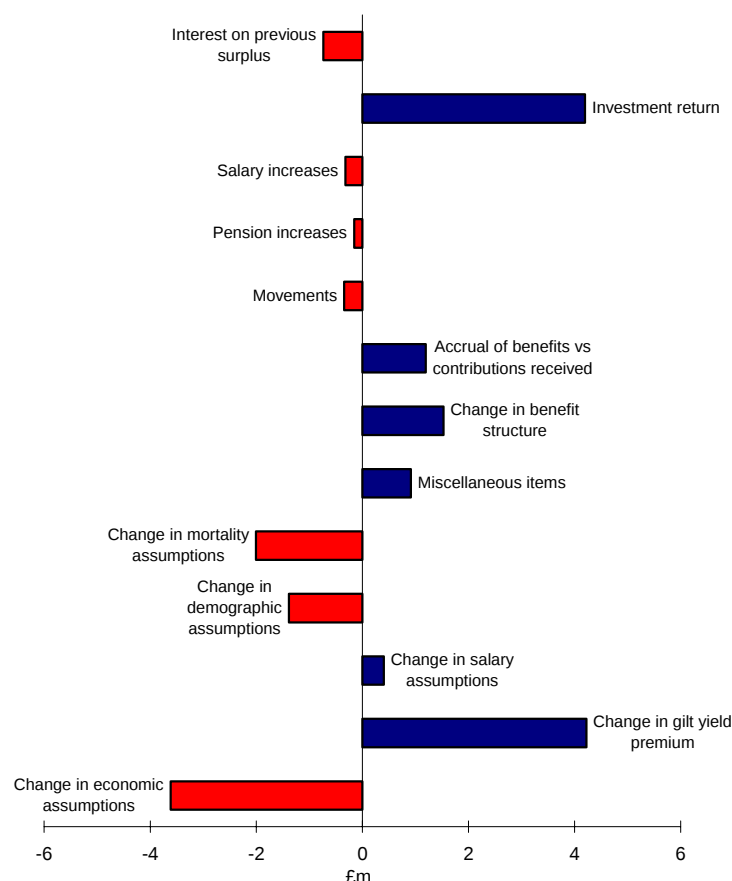
	£'000	£'000
Value of past service ongoing liabilities:		
Active members	27,089	
Deferred pensioners and Refunds Due	1,338	
Pensioners and dependants	8,762	
Funding target		37,189
Market value of the assets		37,476
Funding surplus		287
Funding ratio		100.8%

The Guernsey Electricity Limited Actuarial Account has a **funding surplus** of £287,000 relative to the **funding target** of £37,189,000 and a **funding ratio** (assets as a proportion of the **funding target**) of 100.8%.

9.2 Change in funding position

At the previous valuation the Guernsey Electricity Limited Actuarial Account had a **funding shortfall** of £3,614,000. The funding position has therefore improved by £3,901,000 since the previous valuation. We have analysed below the reasons for the change, indicating the impact of each factor on the valuation result this time.

9. Funding Position – Guernsey Electricity Limited (continued)



The main reasons for the change in the past service position (before allowing for the changes in the assumptions) are:

- the investment return obtained on the assets was much higher than assumed
- changes to the benefits structure, including the changes to the service definitions used for ill health retirement and death in service spouse's pensions as well as the ability to commute pensions on retirement had the effect of lowering the anticipated cost of benefits
- the actual rate of contributions paid during the inter-valuation period (including the lump sum contributions) was higher than the cost of accruing benefits

These effects were partly offset by the following:

- the actual levels of pay and pension increases granted since the previous valuation were slightly higher than assumed

The net effect of the changes in financial and demographic assumptions at this valuation has been to increase the value placed on the liabilities in respect of the Guernsey Electricity Limited Actuarial Account. These changes include:

- the change in index-linked gilt yields led to a higher rate of assumed inflation, thus increasing the value placed on the liabilities
- the change in the outperformance premium included in the discount rate has reduced the value placed on the liabilities

9. Funding Position – Guernsey Electricity Limited (continued)

- the assumed rate of increase in Pensionable Pay in excess of inflation was reduced for this valuation, partly offsetting the effect of the higher inflation assumption
- the effect of the changes made to the post-retirement mortality assumptions has been to increase the value placed on the liabilities
- the net effect of the changes in the demographic assumptions regarding retirements and withdrawals has been to increase the value placed on the liabilities

9.3 Future benefit accrual

We have also calculated the employer contribution rate for benefits expected to accrue to members in future using the same method as was adopted for the Combined Pool.

The employer's future service contribution rate on the basis of our assumptions is 17.7% of Pensionable Pay including an allowance for expenses of 0.25%. The corresponding rate at the previous valuation was 16.3%. The reasons for the increase at this valuation are:

- the increase in the death in service lump sum payment
- the changes made to the valuation assumptions, in particular the increase in expected inflation and the changes made to the post-retirement mortality assumptions

These effects were partly offset by the 0.5% increase in member contributions paid from 1 January 2008.

9.4 Allowance for funding shortfall

We have also calculated the required contribution rate assuming that the **funding surplus** would be amortised over the average working lifetime of the current active members, a period of 11 years. Allowing for this amortisation period, the required rate of employer contributions would be reduced by 0.4% of Pensionable Pay to 17.3% of Pensionable Pay.

This compares with the current contribution rate for Guernsey Electricity Limited of 16.3% of Pensionable Pay.

9.5 Transfer value coverage

It is necessary to consider the impact of paying **transfer values** from the Fund as payment of a **transfer value** should not adversely affect the security of the benefits of the remaining members of the Fund.

To assess this we have calculated the value of the active and deferred liabilities on the Fund's current **transfer value** basis. As pensioners are not permitted to transfer their benefits we have valued the pensioner liabilities using the Fund's funding basis. The results of this calculation are that it would be possible for the Fund to pay **transfer values** without adversely affecting the security of the remaining members' benefits. This would still be the case if the assets in respect of the Actuarial Account were equal to the **funding target**.

10. Funding Position – Guernsey Financial Services Commission

10.1 Funding shortfall

The funding objective is to bring the assets of each section of the Fund into line with the **funding target**. We have therefore compared the market value of the assets in the Fund in respect of the Guernsey Financial Services Commission Actuarial Account with the **funding target** as at the valuation date. The result of this comparison is as follows:

	£'000	£'000
Value of past service ongoing liabilities:		
Active members	7,858	
Deferred pensioners and Refunds Due	1,318	
Pensioners and dependants	751	
Funding target		9,927
Market value of the assets		9,702
Funding (shortfall)		(225)
Funding ratio		97.7%

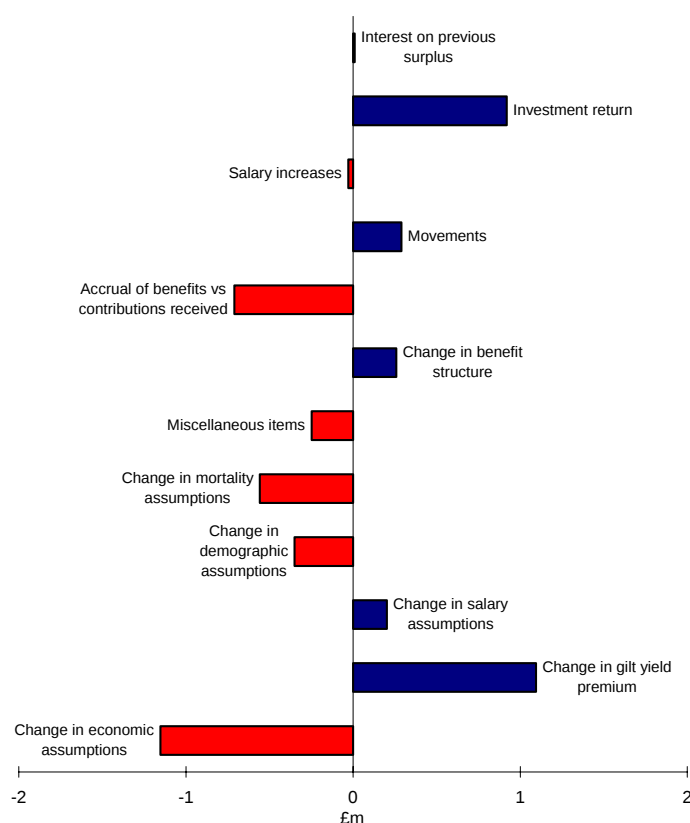
The Guernsey Financial Services Commission Actuarial Account has a **funding shortfall** of £225,000 relative to the **funding target** of £9,927,000 and a **funding ratio** (assets as a proportion of the **funding target**) of 97.7%.

The liabilities in respect of active members exclude any reserve for the potential death in service and ill health retirement benefits which are funded for separately within the Combined Pool.

10.2 Change in funding position

At the previous valuation the Guernsey Financial Services Commission Actuarial Account had a **funding surplus** of £50,000. The funding position has therefore worsened by £275,000 since the previous valuation. We have analysed below the reasons for the change, indicating the impact of each factor on the valuation result this time.

10. Funding Position – Guernsey Financial Services Commission (continued)



The main reasons for the change in the past service position (before allowing for the changes in the assumptions) are:

- the investment return obtained on the assets was much higher than assumed
- the change to the benefit structure to allow the commutation of pension on retirement
- there were more withdrawals from service than anticipated at the previous valuation

These effects were partly offset by the following:

- the actual rate of contributions paid during the inter-valuation period was lower than the cost of accruing benefits

The net effect of the changes in financial and demographic assumptions at this valuation has been to increase the value placed on the liabilities in respect of the Guernsey Financial Services Commission Actuarial Account. These changes include:

- the change in index-linked gilt yields led to a higher rate of assumed inflation, thus increasing the value placed on the liabilities
- the change in the outperformance premium included in the discount rate has reduced the value placed on the liabilities
- the assumed rate of increase in Pensionable Pay in excess of inflation was reduced for this valuation, partly offsetting the effect of the higher inflation assumption
- the effect of the changes made to the post-retirement mortality assumptions has been to increase the value placed on the liabilities

10. Funding Position – Guernsey Financial Services Commission (continued)

10.3 Future benefit accrual

We have also calculated the employer contribution rate for benefits expected to accrue to members in future using the same method as was adopted for the Combined Pool.

We have included in this rate the cost of insuring the death in service and ill health retirement benefits within the Combined Pool. We have calculated that this contribution should be increased from the current rate of 1.15% of Pensionable Pay to 1.40% of Pensionable Pay.

The employer's future service contribution rate on the basis of our assumptions is 17.4% of Pensionable Pay including an allowance for expenses of 0.25%. The corresponding rate at the previous valuation was 15.6%. The reasons for the increase at this valuation are:

- the increase in the death in service lump sum payment, increasing the insurance cost
- the changes made to the valuation assumptions, in particular the increase in expected inflation, and the changes made to the post-retirement mortality assumptions

These effects were partly offset by the 0.5% increase in member contributions paid from 1 January 2008.

10.4 Allowance for funding shortfall

We have also calculated the required contribution rates assuming that the **funding shortfall** would be amortised over the average working lifetime of the current active members, a period of 12 years. Allowing for this amortisation period, the required rate of employer contributions would increase by 0.4% to 17.8% of Pensionable Pay.

This compares with the current contribution rate for Guernsey Financial Services Commission of 10.4% of Pensionable Pay.

10.5 Transfer value coverage

It is necessary to consider the impact of paying **transfer values** from the Fund as payment of a **transfer value** should not adversely affect the security of the benefits of the remaining members of the Fund.

To assess this we have calculated the value of the active and deferred liabilities on the Fund's current **transfer value** basis. As pensioners are not permitted to transfer their benefits we have valued the pensioner liabilities using the Fund's funding basis. The results of this calculation are that it would be possible for the Fund to pay **transfer values** without adversely affecting the security of the remaining members' benefits. This would still be the case if the assets in respect of the Actuarial Account were equal to the **funding target**.

11. Estimate of Solvency

11.1 Benefits on discontinuance

We are required to review what the position would have been if the Fund had been discontinued on the valuation date, even though the Fund is continuing on a going concern basis and is not in the process of winding up. This solvency estimate helps clarify the extent to which the Fund is reliant on the continued support of the States of Guernsey.

On discontinuance, members' benefits would be crystallised and, for active members, would be based on their pensionable service and Pensionable Pay at the date of discontinuance. No allowance is made in the calculations for discretionary benefits.

11.2 Solvency Calculation

The solvency estimate has been calculated in accordance with sections 3.5.9 and 3.5.10 of Guidance Note GN9 originally issued by the Institute and Faculty of Actuaries and now adopted by the Board for Actuarial Standards. This estimate is an aggregate based on all the liabilities of the Fund taken together (rather than split by section) including the liabilities in respect of the States Members Pension Fund.

The solvency liabilities are based on an estimate of the cost of purchasing immediate and deferred annuities on terms consistent with those available in the UK annuity market, plus a provision to cover the expenses of winding up.

We have not carried out a detailed analysis of the costs of risks that might apply specifically to the Fund and so our estimate is only a guide.

These terms may not necessarily be applicable to the Fund, indeed there may not necessarily be terms available in the annuity market in the Channel Islands at this time.

The assumptions we have used to calculate the solvency estimate are discussed further in Appendix E.

11.3 Results

On this basis, the solvency **funding ratio** was 65.9%.

11.4 Previous Solvency estimate

At the previous valuation, the estimate of the solvency coverage using a corresponding buy-out approach was 61.9%. This figure is an aggregation of the individual positions that were reported for the previous valuation. Therefore, the solvency coverage has improved by approximately 4.0%.

The factors that have contributed to this change in solvency coverage are similar to those that have led to the change in the ongoing funding positions since the previous valuation, in particular:

11. Estimate of Solvency (continued)

- (a) the rise in the market value of the Fund's assets.
- (b) the effect of changes in the benefit structure.
- (c) the actual contributions paid being less than the cost of accruing the benefits for most sections.
- (d) changes made to the demographic assumptions.
- (e) changes to the solvency basis.

11.5 Solvency level if assets were equal to funding target

As the proposed **funding target** is 90% of the value of the accrued liabilities for the Combined Pool and 100% of the accrued liabilities for the Actuarial Accounts, we have based this comparison on an asset figure equal to 100% of the accrued liabilities in all cases. Accordingly, if the Fund's assets were equal to 100% of the liabilities at the valuation date, then the solvency **funding ratio** would have been 69.1%.

11.6 Impact of priority order

In practice if the Fund were to wind up with less than 100% of its liabilities covered, it would be necessary to assign a level of priority to each liability under the Fund. As no priority order is specified in the Fund's documentation it has not been possible to calculate how individual liabilities would be covered on winding up as this would be decided only at the time.

11.7 Comment

The above figures relate to the position at the valuation date and do not take into account any contributions that may have been paid into the Fund since the valuation date or will in the future be paid into the Fund to reduce the deficiency.

11.8 Effect of contributions on future solvency

If contributions were paid to the Fund at the rates recommended in the preceding sections (based on the proposed **funding target**) over the three years following the valuation date, we estimate that the solvency level at 31 December 2010 would be approximately 64%.

These estimates assume that the experience of the Fund during the three years to 31 December 2010 would be in line with the assumptions underlying the **funding target**.

The proposed contributions are not expected to maintain the solvency coverage at the next valuation.

12. Purpose of Funding

12.1 Purpose of funding

The primary purpose of funding is to provide members with more security for their pensions than if they relied on their employer to pay them directly.

12.2 Funding does not eliminate risk

However, despite a scheme being funded, there is still the risk that the assets would not be sufficient to pay all of the promised pensions if a sponsoring employer becomes insolvent. There are a number of risks that a scheme is exposed to, including:

- Sponsor risk — the ability of the employer to continue contributions to the scheme and to make good shortfalls;
- Funding risk
 - the **funding target** may be less than the value of the solvency liabilities (see section 11).
 - the assets may be less than the **funding target**.
- Investment risks - if the assets do not match the liabilities their values will not move in line. The risk is that the value of the assets falls without a corresponding fall in the value of the liabilities, which can happen over a short space of time. Alternatively, the future investment return on the assets may be positive, but insufficient to meet the funding objective. The more mismatched the investment strategy is, the greater the risks.
- Mortality risk – unanticipated future improvements in mortality will increase the cost of benefits.
- Options risk – members may exercise options resulting in extra costs that were not funded for. For example, if members choose to commute more/less of their pension for tax free cash at retirement than allowed for in the assumptions, then this will result in lower/higher costs for the scheme.

12.3 Investment Risks

The majority of the Fund's liabilities are linked to inflation via either pension increases or pay increases. The assets that most closely match the Fund's liabilities in terms of future cashflows are a combination of index-linked gilts and derivative instruments to match inflation-linked liabilities and fixed-interest gilts and/or investment grade corporate bonds to match the fixed liabilities.

In common with the majority of defined-benefit schemes, the Fund's investments are mismatched because the States of Guernsey has (having taken advice) chosen to invest some of the Fund's assets in asset classes, such as equities that are expected to produce higher future returns than gilts over the long term.

12. Purpose of Funding (continued)

12.4 Risk factors

In order to illustrate the sensitivity of the funding position, we have investigated the following selected risk factors on the **funding target** basis:

Equity market returns. This is the effect of a potential change in the market value of equity holdings.

All bond yields. This is the effect of a potential change in the yields on fixed interest gilts, index linked gilts and corporate bonds. A change in yields in such circumstances would mean a change to the **discount rate** used for the actuarial valuation. This would also affect the market value of the gilt and bond holdings.

Real gilt yields. This is the effect of a potential change in the real yield on index-linked gilts assuming that the nominal yield on gilts and bonds remains unchanged. This would have an impact on the implied inflation and on related assumptions such as pension increases.

Life expectancy. This is the effect of a potential change in life expectancies, which is likely to arise due to new information being available eg new mortality tables being published. While in theory this may not result in a step change (since it will emerge over time), in practice the impact will appear immediately as a result of changing the relevant assumption.

12.5 Risk modelling

We have carried out approximate sensitivity analyses based on the total position of all sections of the Fund taken together (excluding the States Members Pension Fund). This detailed analysis relates to the ongoing funding position of the Fund. The baseline ratio of assets to liabilities for the various sections taken together is 95.4%.

The results of the approximate sensitivity analysis to the following scenarios are set out in the table below:

1. the market value of equities falls by 25%.
2. yields on both gilts and corporate bonds decrease by 1% (with no change in equity markets).
3. real yields on index-linked gilts decrease by 1% (with fixed-interest gilt yields, corporate bond yields, and equity markets unchanged) - this is equivalent to a 1% increase in the assumed rate of inflation.
4. life expectancy for current and future pensioners is slightly higher, based on adjusting all pensioner ages down by one year. This shows broadly the impact of an increase in life expectancy of approximately one year for most pensioners.
5. life expectancy for current and future pensioners is considerably higher, based on adjusting all pensioner ages down by five years. This shows broadly the impact of an increase in life expectancy of approximately five years for most pensioners.
6. members do not exchange pension for lump sum on retirement.

12. Purpose of Funding (continued)

Scenario	Ratio of assets to liabilities (%)
Baseline figure at 31 December 2007	95.4
1 – 25% fall in equities	77.7
2 – 1% decrease in bond and gilt yields	82.4
3 – 1% decrease in real gilt yields	80.2
4 – Approximate 1 year increase in life expectancy	93.5
5 – Approximate 5 year increase in life expectancy	86.5
6 – No commutation	93.7

12.6 Comments

These results show that funding is very sensitive to future investment market changes. Falls in yields and/or a fall in equity values could lead to a reduction in the Fund's **funding ratio** and an increase in the contributions required.

Conversely, rises in yields and/or a rise in equity values could lead to an increase in the Fund's **funding ratio** and a reduction in the contributions required.

The primary reason for the possible volatility in the funding position is that the States of Guernsey's investment policy involves a deliberate and justifiable mismatch between the Fund's assets and liabilities, in expectation that this will result in higher investment returns than a policy that was more matched.

The results also show that, like many pension schemes, the Fund is susceptible to variations in future mortality experience.

The scenarios considered are not "worst case" scenarios, and a combination of these events could either compound or (with a converse event) mitigate one another.

The solvency **funding ratio** will be similarly sensitive to changes in investment markets and future mortality experience.

13. Summary and Conclusions

13.1 Summary of results – Combined Pool

- At the valuation date, there was a surplus of £42,620,000 relative to the proposed 90% **funding target** in respect of the new Combined Pool including liabilities for Public Servants and all Teachers.
- On the basis used to set the **funding target**, the recommended long-term rate of Employer contributions payable in respect of the Combined Pool is 17.1% of Pensionable Pay. Additional contributions are required in respect of the special benefit groups as detailed in Section 7.
- If the **funding target** was 100% of accrued liabilities there would be a **funding shortfall** of £43,994,000.

13.2 Summary of results – Guernsey Post Limited

- At the valuation date, there was a surplus of £1,283,000 relative to the **funding target** in respect of the Guernsey Post Limited Actuarial Account. This corresponds to an ongoing **funding ratio** of 105.6%.
- On the basis used to set the **funding target**, the recommended long-term rate of Employer contributions payable in respect of the Guernsey Post Limited Actuarial Account is 16.4% of Pensionable Pay.

13.3 Summary of results – Guernsey Electricity Limited

- At the valuation date, there was a surplus of £287,000 relative to the **funding target** in respect of the Guernsey Electricity Limited Actuarial Account. This corresponds to an ongoing **funding ratio** of 100.8%.
- On the basis used to set the **funding target**, the recommended long-term rate of Employer contributions payable in respect of the Guernsey Electricity Limited Actuarial Account is 17.7% of Pensionable Pay.

13.4 Summary of results – Guernsey Financial Services Commission

- At the valuation date, there was a shortfall of £225,000 relative to the **funding target** in respect of the Guernsey Financial Services Commission Actuarial Account. This corresponds to an ongoing **funding ratio** of 97.7%.
- On the basis used to set the **funding target**, the recommended long-term rate of Employer contributions payable in respect of the Guernsey Financial Services Commission Actuarial Account is 17.4% of Pensionable Pay.

13.5 Summary of results – Solvency Position

- At the valuation date, there is a shortfall of about £463.5m relative to the aggregate solvency position for the Superannuation Fund. This corresponds to an estimated solvency **funding ratio** of 65.9%.

13. Summary and Conclusions (continued)

13.6 Developments since the valuation date

Since the valuation date, equity markets have fallen substantially. Fixed-interest gilt yields have remained relatively steady but index-linked gilt yields have fallen, indicating an increase in the market expectation of inflation.

This experience since the valuation date will have led to a worsening of the positions for each section of the Fund on the **funding target** basis. It will also have reduced the Fund's estimate of solvency **funding ratio**.

13.7 Proposed Contributions – Combined Pool

Allowing for a contribution reduction of 3% of Pensionable Pay to amortise the **funding surplus** in relation to the **funding target** in respect of the Combined Pool the total rate of Employer contributions to be paid following the valuation would be 14.1% of Pensionable Pay.

This contribution rate is inclusive of the allowance for expenses of 0.25% of Pensionable Pay. Members will continue to contribute at the basic rate of 6.5% of Pensionable Pay, increased for special benefit groups as detailed in the Rules of the Fund. This rate does not include any Additional Voluntary Contributions members may choose to make.

We recommend that additional contributions are paid in respect of the special benefit groups as detailed in the table below.

	Proposed total employer contribution rate %pa
Base employer rate	14.1
Special Benefit groups	
Police and Firemen	
entrants on or before 31.10.91	29.1 (+15%)
entrants between 31.10.91 and 31.12.07	24.1 (+10%)
entrants after 31.12.07 Police	20.1 (+6%)
Fire	18.1 (+4%)
Senior Police and Fire Officers – entrants before 01.01.08	21.1 (+7%)
Mental Health Officers – entrants prior to 01.12.98	23.1 (+9%)
Crown Officers	
entrants on or before 31.10.91	24.1 (+10%)
entrants between 01.01.92 and 31.12.03	23.1 (+9%)
entrants after 1.1.04	20.8 (+6.7%)

If the **funding target** was 100% of accrued liabilities, additional contributions of 3.1% of Pensionable Pay would be required to amortise the **funding shortfall** resulting in Employer contributions of 20.2% of Pensionable Pay.

13. Summary and Conclusions (continued)

13.8 Proposed Contributions – Guernsey Post Limited

Allowing for a contribution reduction of 1.4% of Pensionable Pay to amortise the **funding surplus** in respect of the Guernsey Post Limited Actuarial Account we recommend that the total rate of Employer contributions to be paid following the valuation should be 15.0% of Pensionable Pay.

This contribution rate is inclusive of the allowance for expenses of 0.25% of Pensionable Pay. Members will continue to contribute at the basic rate of 6.5% of Pensionable Pay. This does not include any Additional Voluntary Contributions members may choose to make.

13.9 Proposed Contributions – Guernsey Electricity Limited

Allowing for a contribution reduction of 0.4% of Pensionable Pay to amortise the **funding surplus** in respect of the Guernsey Electricity Limited Actuarial Account we recommend that the total rate of Employer contributions to be paid following the valuation should be 17.3% of Pensionable Pay.

This contribution rate is inclusive of the allowance for expenses of 0.25% of Pensionable Pay. Members will continue to contribute at the basic rate of 6.5% of Pensionable Pay. This does not include any Additional Voluntary Contributions members may choose to make.

13.10 Proposed Contributions – Guernsey Financial Services Commission

Allowing for contributions of 0.4% of Pensionable Pay to amortise of the **funding shortfall** in respect of the Guernsey Financial Services Commission Actuarial Account we recommend that the total rate of Employer contributions to be paid following the valuation should be 17.8% of Pensionable Pay.

This contribution rate is inclusive of the allowance for expenses of 0.25% of Pensionable Pay and the cost of insuring the death in service and ill health retirement benefits within the Combined Pool of 1.40% of Pensionable Pay. Members will continue to contribute at the basic rate of 6.5% of Pensionable Pay. This does not include any Additional Voluntary Contributions members may choose to make.

13.11 Implementation of Proposed Contributions

We recommend that the revised contribution rates for the Actuarial Accounts be implemented with effect from 1 January 2009 for Guernsey Financial Services Commission and from 1 April 2009 for Guernsey Post Limited and Guernsey Electricity Limited. The revised contribution rate for the Combined Pool will be paid from 1 January 2010.

Based on the contributions expected to be paid, if our assumptions are borne out in practice, we have calculated an estimated **funding surplus** relative to the 90% target funding level in respect of the new Combined Pool at the next valuation on 31 December 2010, which amounts to £25,252,000. If the targeted funding level in the Combined Pool was 100%, the estimated **funding shortfall** on 31 December 2010 would be £80,904,000 corresponding to a **funding ratio** of 92.4%.

13. Summary and Conclusions (continued)

13.12 Monitoring the Fund

The next formal valuation is due to take place as at 31 December 2010 when the contribution levels will be reviewed.

Signed for BWCI Consulting Limited

Steven Jones, FIA

Diana Simon, FIA

The Fund has been established to provide for the payment of pensions and other benefits to or in respect of employees of the States of Guernsey who are either Public Servants or Teachers.

The Fund in respect of Public Servants was established with effect from 1 October 1972 by The States of Guernsey (Pensions and Other Benefits) Rules, 1972, and has been subsequently modified by various Resolutions of the States of Guernsey.

The Fund in respect of Teachers was established with effect from 1 January 1977 by the Teachers' Superannuation (Guernsey) Regulations, 1978, and has been subsequently modified by a number of amendments. This Fund was effectively closed to new entrants on 31 October 2005 since when new teachers join a separate section established in the Public Servants scheme. The majority of members of the Teachers' Scheme were transferred to this new section.

An Actuarial Account was established with effect from 1 October 2001 for Guernsey Post Limited in accordance with paragraph 1 of the Third Schedule to the States of Guernsey (Public Servants) (Pensions and Other Benefits) Rules.

An Actuarial Account was established with effect from 1 January 2002 for the Guernsey Financial Services Commission in accordance with paragraph 2 of the Third Schedule to the States of Guernsey (Public Servants) (Pensions and Other Benefits) Rules.

An Actuarial Account was established with effect from 1 February 2002 for Guernsey Electricity Limited in accordance with paragraph 1 of the Third Schedule to the States of Guernsey (Public Servants) (Pensions and Other Benefits) Rules.

By a resolution passed 12 December 2007 the States of Guernsey has amended the Rules of all sections to introduce a new tier of benefits for all sections that applies for all members who commence service on or after 1 January 2008.

Appendix B**Membership Data****Active members at 31 December 2007**

		Number Of Cases	Total Pay (£ pa)
Public Servants (including special groups)	Men	1,663	53,936,701
	Women	1,805	46,668,993
Teachers Scheme	Men	44	1,920,577
	Women	109	3,683,605
Teachers Section of Combined Pool	Men	218	9,538,341
	Women	397	15,335,164
Guernsey Post Limited	Men	212	5,554,981
	Women	56	1,291,720
Guernsey Electricity Limited	Men	193	5,882,751
	Women	26	738,701
Guernsey Financial Services Commission	Men	43	2,626,700
	Women	54	2,108,740
Total	Men	2,373	79,460,051
	Women	2,447	69,826,923

Deferred pensioners at 31 December 2007

		Number Of Cases	Amount of deferred pension (£ pa)
Public Servants (including special groups)	Men	133	877,161
	Women	171	743,506
Teachers Scheme	Men	70	282,164
	Women	130	373,623
Teachers Section of Combined Pool	Men	25	218,202
	Women	40	267,985
Guernsey Post Limited	Men	1	3,914
	Women	2	22,029
Guernsey Electricity Limited	Men	10	71,053
	Women	3	9,223
Guernsey Financial Services Commission	Men	4	45,619
	Women	8	23,334
Total	Men	243	1,498,113
	Women	354	1,439,700

Notes: Deferred pension amounts include revaluations up to the valuation date.

There were also 596 former members at the valuation date who were entitled to a refund of their member contributions to the Fund.

Pensioners at 31 December 2007

		Number Of Cases	Amount of pension (£ pa)
Public Servants (including special groups)	Men	1,017	11,906,713
	Women	596	3,395,347
	Widowers	19	63,046
	Widows	371	1,762,149
Teachers Scheme	Men	25	250,529
	Women	41	272,358
	Widowers	3	5,142
	Widows	15	53,824
	Children's Pensions	1	463
Teachers Section of Combined Pool	Men	190	2,893,242
	Women	275	3,114,075
	Widowers	7	19,423
	Widows	39	161,033
	Children's Pensions	1	3,650
Guernsey Post Limited	Men	16	153,460
	Women	1	11,653
	Widows	1	3,220
Guernsey Electricity Limited	Men	41	445,804
	Women	0	0
	Widows	1	4,797
Guernsey Financial Services Commission	Men	2	37,602
	Women	1	2,457
Total	Men	1,291	15,687,350
	Women	914	6,795,890
	Widowers	29	87,611
	Widows	427	1,985,023
	Children's Pensions	2	4,113

Note: No data was received in respect of children's pensions for the Public Servants Combined Pool section or the Guernsey Post Limited, Guernsey Electricity Limited, or Guernsey Financial Services Commission Actuarial Accounts.

Assets

The Fund's audited accounts for the year ended 31 December 2007 show its assets excluding the States Members Pension Fund as £893,408,000. These can be categorised as follows:

	Market Value (£'000)	% of Total
Equities	666,035	74.6
UK Government Fixed Interest Securities	38,709	4.3
Other Fixed Interest Securities	38,384	4.3
UK Index-Linked Gilts	92,142	10.3
Cash and Net Current Assets	58,138	6.5
TOTAL	893,408	100.0

Appendix D

Assumptions for Funding Target

The assumptions used for assessing the **funding target** are summarised below.

Different assumptions are used for the **solvency estimate**, as explained in section 11.

Financial Assumptions

Discount rate

- before retirement	6.5% pa
- after retirement	6.5% pa
Rate of pay increases (excluding promotional increases)	4.65% pa
Rate of UK price inflation	3.4% pa
Rate of Guernsey price inflation	3.9% pa
Rate of pension increases – Teachers Scheme	3.4% pa
Rate of pension increases – All Other Sections	3.9% pa
Rate of deferred pension increases – Teachers Scheme	3.4% pa
Rate of deferred pension increases – All Other Sections	3.9% pa

Demographic Assumptions

Post-retirement mortality

- PNMA00 Year of Use tables for males, projected with the Medium Cohort improvement factors, incorporating an underpin of 1.25% pa to the improvements.
- PNFA00 Year of Use tables for females, projected with the Medium Cohort improvement factors, incorporating an underpin of 0.75% pa to the improvements.

Improvements have been applied from 2008 for pensioners in all sections other than Teachers and from 2000 for Teachers and for all dependants.

For members who retire in ill health we have applied the base PNMA00 / PNFA00 tables with no allowance for mortality improvements.

Using these tables implies the following life expectancies for members who retire in normal health at age 65:

Life expectancy at age 65	Males	Females
Current 65 Year Old – Public Servants	20.4	22.6
Current 65 Year Old – Teachers	22.5	24.3
Current 45 Year Old, assuming survival to age 65 – Public Servants	22.8	24.2
Current 45 Year Old, assuming survival to age 65 – Teachers	24.9	25.8

Pre-retirement mortality

Males: Standard table AMC00

Females: Standard table AFC00

Early retirements

Allowance has been made for retirements before the age of normal retirement by means of age related scales (see sample rates below).

Ill-Health retirements

Allowance has been made for ill-health retirements before the age of normal retirement by means of age related scales (see sample rates below). It has been assumed that 50% of ill health retirements will relate to each tier of benefit.

Withdrawals

Allowance has been made for withdrawals from service by means of age related scales (see sample rates below).

On withdrawal, for most sections of the Fund 25% of members are assumed to leave a deferred pension in the Fund and 75% are assumed to take a refund of their member contributions to the Fund. For Teachers and GFSC employees, 50% of members are assumed to leave a deferred pension in the Fund and 50% are assumed to take a refund.

Members are not assumed to exercise their option to take a **transfer value**.

Family details

Male members are assumed to be three years older than their spouses. Female members are assumed to be three years younger than their spouses.

100% of non-pensioners are assumed to be married at retirement or earlier death. 100% of pensioners are assumed to be married at the valuation date.

Commutation

Each member is assumed to commute their pensions to the extent required to receive 75% of the maximum lump sum available to them.

Promotional salary increases

Allowance made for age-related promotional increases (see sample rates below).

Expenses

0.25% of Pensionable Pay added to the value of future benefit accrual.

Death benefits

There are no separate insurance arrangements for the Fund. The cost of providing death benefits from the Fund is included in the contribution rates payable.

Sample rates

The tables below illustrate the allowances made for withdrawals from service, early retirements, and ill health retirements at various ages. Also shown is the allowance included for promotional pay increases, which is shown as the percentage increase over the next year.

Appendix D Assumptions for Funding Target (continued)

	Percentage leaving the Fund in the next year as a result of withdrawal from service				
Current age	Established Staff, Teachers, GEL, GPL, and GFSC employees	Male Unestablished Staff	Female Unestablished Staff	Male Police and Fire members	Female Police and Fire members
20	17.7	17.7	22.1	13.2	8.8
25	12.7	12.7	15.8	9.5	6.3
30	8.8	8.8	11.0	6.6	4.4
35	5.7	5.7	7.1	4.3	2.8
40	3.3	3.3	4.1	2.5	1.6
45	1.4	1.4	1.7	1.0	0.7
50	0.0	0.0	0.0	0.0	0.0
55	0.0	0.0	0.0	0.0	0.0
60	0.0	0.0	0.0	0.0	0.0

	Percentage leaving the Fund in the next year as a result of retirement in normal health				
Current age	Male Established Staff, GEL and GPL employees	Female Established Staff	Male Unestablished Staff	Female Unestablished Staff	Police and Fire members other than Senior Officers
50	0	0	0	0	20
51	0	0	0	0	20
52	0	0	0	0	20
53	0	0	0	0	20
54	0	0	0	0	20
55	0	0	0	0	100
56	0	0	0	0	100
57	0	0	0	0	100
58	0	0	0	0	100
59	0	0	0	0	100
60	67	75	15	50	100
61	15	30	10	25	100
62	15	25	10	25	100
63	15	25	10	25	100
64	15	25	10	25	100
65	100	100	100	100	100

Teachers, GFSC employees, and Senior Officers in the Police and Fire sections are assumed to retire at their Normal Retirement Ages.

Appendix D Assumptions for Funding Target (continued)

	Percentage leaving the Fund in the next year as a result of retirement in ill health						
Current age	Established Staff, GEL and GPL employees	Male Un-established Staff	Female Un-established Staff	Teachers	GFSC employees	Male Police and Fire members	Female Police and Fire members
30	0.01	0.01	0.00	0.01	0.01	0.05	0.01
35	0.01	0.01	0.00	0.01	0.01	0.05	0.01
40	0.05	0.03	0.02	0.03	0.05	0.18	0.03
45	0.10	0.07	0.03	0.07	0.10	0.41	0.07
50	0.21	0.14	0.07	0.14	0.21	0.86	0.14
55	0.50	0.33	0.17	0.33	0.50	0.00	0.00
60	1.88	1.25	0.63	0.00	0.00	0.00	0.00

The assumption for ill health retirements is set to zero at the point at which normal retirement is assumed.

Age retirement and ill health retirement rates apply to active members of the Fund only, current deferred pensioners are assumed to retire immediately on reaching their normal retirement ages.

	Percentage promotional pay increase over year	
Current age	Established Staff, Teachers, Police and Fire members, GEL, GPL, and GFSC employees	Unestablished Staff
20	9.0	3.1
25	4.6	1.1
30	2.9	0.5
35	2.1	0.5
40	1.5	0.5
45	1.4	0.5
50	1.3	0.5
55	0.9	0.5
60	0.9	0.5

Appendix E Assumptions for Solvency Estimate

Derivation of assumptions

We have taken into account margins that a life assurance company is likely to use in the setting of its premium basis, notwithstanding the fact that the limited capacity of the insurance market in Guernsey may prevent the States of Guernsey from being able to buy out all the benefits immediately.

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 one estimate can be relied on, and that ultimately the true position can only be established by completing a buy-out.

We have set the **discount rate** for this estimate equal to the yield on fixed-interest gilts of appropriate term at the valuation date, over the period to retirement and subsequently for current active and deferred members, and plus 0.5% per annum for current pensioners. The allowance for the expenses of winding up is separate.

Summary of assumptions

A summary of the main assumptions underlying our **solvency estimate**, where these are different from the **funding target** basis, is shown below.

Pre-retirement discount rate	4.5% pa
Post-retirement discount rate for current active and deferred members	4.5% pa
Post-retirement discount rate for current pensioners	5.0% pa
Withdrawals	All members assumed to have immediately withdrawn from service with entitlement to deferred pension
Mortality after retirement	Current and Future Pensioners: PNMA00 Year of Use tables for males, projected with the Medium Cohort improvement factors, incorporating an underpin of 1.25% pa to the improvements. PNFA00 Year of Use tables for females, projected with the Medium Cohort improvement factors, incorporating an underpin of 0.75% pa to the improvements. Improvements have been applied from 2000 for all sections.
Commutation	No allowance
Discretionary benefits	No allowance
Expenses of winding up	Allowance made (see below)

Expenses

The reserve for expenses allows for the placement of a nil value on self-invested assets (£0), further deductions to allow for the cost of forced sales of equity and corporate bond holdings (£2,158,938), an allowance for the costs of winding up (£14,890,692), based on the expense allowance previously prescribed for UK Minimum Funding Requirement purposes, and an estimate of the per member charges expected to be levied by an insurance company on buy-out (£3,708,200).

This Appendix explains the background to actuarial valuations.

Background to valuations

The finances of a pension scheme fluctuate in response to both external and internal factors. Money continually flows into the scheme as contributions and investment income and flows out of the scheme as benefit payments. The main purposes of the actuarial valuation are to review the scheme's finances and to recommend the rate at which the employers contribute to the scheme in the future.

The actuarial valuation involves calculations which compare the scheme's assets with a **funding target**. The **funding target** calculations assess the value of the benefits that will be paid from the scheme in the future using information about the scheme at the valuation date.

The information used in a valuation

The information about the scheme which is used in the actuary's calculations is as follows:

- Details about its members, supplied by the scheme's administrator
- Information about the assets, from the scheme's audited accounts
- The rules of the scheme which define the member's benefit entitlements

There are other factors which will have an influence on the scheme's finances in the future. These include:

- Investment returns
- Pay increases
- Pension increases
- When members will retire
- How long members will live

The actuary makes assumptions about how these factors will behave in the future and uses these assumptions to put present values on the scheme's assets and liabilities.

The valuation process and the actuarial report

The valuation is carried out by a scheme's actuary. The main results of the actuarial valuation are:

- An assessment of the surplus (or shortfall) in the scheme at the valuation date, which shows how the scheme's assets compare to its **funding target**
- The long term cost of providing the scheme's benefits
- The actuary combines the results of these two calculations to estimate the contributions needed to meet the scheme's **funding target** in the future. This may be lower or higher than the long term cost in order to adjust for the past service surplus or shortfall.
- The actuary also checks the scheme's financial position if it were to discontinue on the valuation date.

What happens next?

The pension scheme's legal documents will set out the process which must be followed to agree the rate of contribution which the employers pay to the scheme.

The results of the valuation will also be used to decide whether the investment policy needs to change. This is because as part of the report, the actuary is required by professional guidance to highlight any particular investment risks. These are useful pointers to consider as part of any investment review.

Attained Age Method (AAM)

This is one of the common methods used by actuaries to estimate the cost of future benefits from a pension scheme. This method calculates the cost of the benefits expected to accrue to members over their expected remaining membership of the scheme expressed as a percentage of their expected future pensionable pay. It allows for projected future increases in pay through to retirement or date of leaving service. The method is based on the current membership and takes no account of the possibility of further members joining the scheme. If there are no new members, this method would be expected to result in a stable contribution rate, once surpluses or deficits are taken into account. However if more members join the scheme to replace older leavers, the contribution rate can be expected to fall if all the other assumptions are borne out in practice.

Defined accrued benefit method

This is one of the common methods used by actuaries to calculate a recommended contribution rate for a pension scheme. This method calculates the **present value** of benefits expected to accrue to members over a period (often one year) following the valuation date. The **present value** is usually expressed as a percentage of the members' pensionable pay. The accruing benefits are calculated on the assumption that the scheme is discontinued, firstly at the valuation date and then secondly at the end of the relevant period after the valuation date, allowing for pay increases over the period. **Present values** are, however, calculated on the assumption that the scheme is ongoing. Provided that the distribution of members remains stable with new members joining to take the place of older leavers, the contribution rate calculated can be expected to remain stable, if all the other assumptions are borne out. If there are no new members, however, the average age will increase and the cost of the benefits accruing will rise.

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 value of assets to the **funding target**.

Funding shortfall

This is the **funding target** less the value of assets. If the value of assets is greater than the **funding target**, then the difference is called the **funding surplus**.

Funding surplus

This is the value of assets less the **funding target**. If the **funding target** is greater than the value of assets, then the difference is called the **funding shortfall**.

Funding target

This is defined individually for each scheme. Often, the **funding target** is the actuarial value of the "past service ongoing liabilities" calculated as the **present value** of members' benefits based on pensionable

service to the valuation date. It allows for projected future increases to pay through to retirement or date of leaving service.

Under the **defined accrued benefit method** it is the **present value** of the benefits which members are entitled to based on service completed to the valuation date and on the assumption that the scheme is discontinued. In the case of a final salary scheme this means that no allowance is made for future pay increases. It also includes the value of the benefits for members who have already left service – ie pensioners and deferred pensioners.

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.

Projected Unit Method (PUM)

One of the common methods used by actuaries to calculate a contribution rate for a pension scheme. This method calculates the **present value** of the benefits expected to accrue to members over a control period (often one year) following the valuation date. The **present value** is usually expressed as a percentage of the members' pensionable pay. It allows for projected future increases to pay through to retirement or date of leaving service. Provided that the distribution of members remains stable with new members joining to take the place of older leavers, the contribution rate calculated can be expected to remain stable, if all the other assumptions are borne out. If there are no new members however, the average age will increase and the contribution rate can be expected to rise.

Solvency Estimate

This is the ratio of the market value of the scheme's assets to the estimated cost of securing the scheme's liabilities in the event of the discontinuance of the scheme.

Transfer Value

Members generally have a legal right to transfer their benefits to another pension arrangement before they retire. In taking a transfer, members give up their benefits in the scheme, and a sum of money (called the **transfer value**) is paid into another pension scheme, which then provides the member with pension benefits.

Appendix H

States Members Pension Fund

We have carried out an actuarial valuation of the States Members Pension Fund as at 31 December 2007, for which a separate actuarial valuation report will be issued. The valuation has been carried out on broadly the same basis as the States Superannuation Fund valuation. The main conclusions of this valuation are as follows:

Funding shortfall

The funding objective is to bring the assets of the Fund into line with the **funding target**. We have therefore compared the market value of the assets of the States Members Pension Fund with the **funding target** as at the valuation date (set in the same way as for the Superannuation Fund but with a **funding target** of 100%). The results below include both the old and new States Members Pension Funds. The result of this comparison is as follows:

	£'000	£'000
Value of past service ongoing liabilities:		
Active members of the new Fund	788	
Deferred pensioners	1,295	
Pensioners and dependants	1,685	
Funding target		3,768
Market value of the assets		3,030
Funding (shortfall)		(738)
Funding ratio		80.4%

The States Members Pension Fund has a **funding shortfall** of £738,000 relative to the **funding target** of £3,768,000 and a **funding ratio** (assets as a proportion of the **funding target**) of 80.4%.

This shortfall is made up of a funding shortfall of £923,000 in the old Fund, offset by a funding surplus of £185,000 in the new Fund.

Change in funding position

At the previous valuation the States Members Pension Fund had a **funding shortfall** of £721,000. The funding position has therefore worsened by £17,000 since the previous valuation.

Future benefit accrual

We have also calculated the States' contribution rate for benefits expected to accrue to members in future. This is the rate of contribution that would normally be appropriate if there was no **funding surplus** or **funding shortfall** and the assets were exactly equal to the **funding target**.

The method we have used to calculate this is the **projected unit method**. This measures the increase in the **funding target** relating to benefits expected to accrue to members over the year following the valuation.

The States' future service contribution rate in respect of the benefits accruing in the new Fund on the basis of our assumptions is 19.8% of Basic Allowances including an allowance for expenses of 0.25%. There was no corresponding rate calculated at the previous valuation as the benefits from the new Fund had not been decided upon at that time.

Allowance for funding shortfall

We have also calculated the required addition to the contribution rate assuming that any **funding shortfall** would be amortised over the average working lifetime of the current active members, a period of 12 years. Allowing for this amortisation period, the required rate of States' contribution would increase by 11.0% of Basic Allowances, to 30.8% of Basic Allowances.

If the contributions continued into the Fund at the current rates ie at 25% of Basic Allowances with an additional capital payment of £35,000 pa, then the **funding shortfall** would be expected to be met within 19 years.

(NB The Policy Council supports the proposals.)

The States are asked to decide:-

XVI.- Whether, after consideration of the Report dated 1st October, 2008, of the Treasury and Resources Department, they are of the opinion:-

1. To note the Actuarial Valuation of the States of Guernsey Superannuation Fund as at 31 December 2007.
2. That, with effect from 1 January 2010, except for Guernsey Electricity Limited, Guernsey Post Limited and the Guernsey Financial Services Commission, the policy will be to set employer contribution rates at a level that fully funds the costs of benefits accruing in respect of future service and 90% of the past service liabilities.
3. That, except for Guernsey Electricity Limited, Guernsey Post Limited and the Guernsey Financial Services Commission, the employer and additional employer contribution rates in respect of the States of Guernsey Superannuation Fund shall be as set out in Appendix 1 with effect from 1 January 2010.
4. That the employer contribution rate for Guernsey Electricity Limited be increased from 16.3% to 17.3% with effect from 1 April 2009.
5. That the employer contribution rate for Guernsey Post Limited be increased from 14.0% to 15.0% with effect from 1 April 2009.
6. That the employer contribution rate for the Guernsey Financial Services Commission be increased from 10.4% to 17.8% with effect from 1 January 2009.

HOUSING DEPARTMENT

THE HOUSING (CONTROL OF OCCUPATION) (GUERNSEY) LAW, 1994 – REQUEST FOR A FURTHER EXTENSION

The Chief Minister
Policy Council
Sir Charles Frossard House
La Charroterie
St Peter Port

18th September 2008

Dear Sir

Executive Summary

The Housing (Control of Occupation) (Guernsey) Law, 1994 came into force on 1 July 1994 and was due to expire on 30 June 2004. However, due to a variety of changing circumstances, it has been successively extended on three previous occasions and is now due to expire on 30 June 2009.

Having recently received a report from its Population Policy Group (PPG), the Policy Council has accepted that, based on the detailed work carried out by one of its previous sub-groups – the Labour Utilisation Strategy Group (LUSG) - there is a need for the PPG to be given more time to decide whether to recommend the retention or replacement of the existing Housing Control legislation.

Accordingly, it is necessary for the Housing Department to seek a further extension of the Housing Control Law while the work of the PPG proceeds.

At the time of writing, the PPG has advised that it is difficult to determine the timescale for completing its work, but that given the additional time that will be needed to review, or possibly replace, the existing legislation, it would be prudent to extend the Housing Control Law until 31 December 2011.

Introduction

The Housing (Control of Occupation) (Guernsey) Law, 1994 came into force on 1 July 1994 and was due to expire on 30 June 2004. However, for a variety of reasons, as detailed below, it has been extended on three previous occasions. The current Law is thus now due to expire on 30 June 2009.

This report proposes a further extension until 31 December 2011.

The extension of 2004

In a report dated 12 December 2003 (Billet d'Etat I, 2004), the Housing Authority stated that it had completed a review of the Open Market elements of the Housing Control Law, which had been considered by the States at their meeting of 14 March 2001 (Billet d'Etat III, 2001). Consequently, only the provisions of the Law relating to occupation of Local Market dwellings remained to be reviewed.

The Authority went on to say that its full review of the remaining provisions of the Law had been well-advanced, enabling a replacement to come into force upon the expiry of the existing Law; however, the Authority's timetable for reporting on the outcome of this review had been severely disrupted because of its previous undertaking to deal separately with the provisions relating to the checking of criminal convictions, and to make this element the subject of a special report to the States.

The Authority thus advised that, following consultations at political level, a staff-level working party comprising representatives from all the interested parties had been established, under the chairmanship of HM Procureur, for the purpose of investigating this matter and making suitable recommendations for onward transmission to the States. However, because these inter-committee discussions were still at an early stage, it would not be possible to submit a report to the States in time for any resultant new Law to come into force in July 2004.

Accordingly, the Authority proposed – and the States agreed - to extend the Housing Control Law 1994 for a period of one year, i.e. until 30 June 2005.

The extension of 2005

In a report dated 17 January 2005 (Billet d'Etat III, 2005), the Housing Department explained that it would not be in a position to bring into being a new Housing Control Law by 30 June 2005.

Two reasons were given for this:

- (i) the working party established under the chairmanship of HM Procureur in order to investigate the issue of criminal conviction checks was not, at the time of writing, in a position to report its findings.
- (ii) upon the advice of HM Procureur, the Housing Department had decided to take comprehensive advice from an expert UK human rights lawyer on all aspects of the Law. His Opinion was in the process of being finalised and the Department wished to have the full benefit of his views before concluding its review of the Law.

Owing to the above, the Housing Department proposed – and the States agreed - to extend the Housing Control Law for a further period of two years, i.e. until 30 June 2007.

At that time it was expected that this would enable the Department to report to the States with recommendations on the checking of criminal convictions and also to complete its review of the Law with the benefit of additional expert legal advice to ensure its robustness.

The Department went on to say that a further unintended benefit of the delay would be the opportunity to consider the relationship between the new Housing Control Law and the new States' population objective, which was then being developed through the Policy Council's Strategic Population Review Group.

The extension of 2007

After considerable delay (much of which was attributable to attempts to resolve the issue of criminal conviction checks), the Policy Council came forward with a report on a new strategic population and migration policy, which was published in the Billet d'Etat for February 2007 (Billet d'Etat IV, 2007). This report was based on work undertaken by the Policy Council's Strategic Population Review Group which had assumed responsibility for all population policy matters, including reviewing the issue of criminal conviction checks.

This report was accompanied by a separate but related report, also from the Policy Council, the purpose of which was to determine whether it was necessary to introduce a new system of population management, or whether the Housing Control and Right to Work Laws should continue to be used for this purpose, with modification where appropriate. In particular, the report on "Controls on Housing/Population" assessed the strengths and weaknesses of the Housing Control regime, and evaluated the potential for the introduction of residence permits and work permits, to supplement or replace housing controls.

Although published in January 2007, the debate of both reports was further delayed until April 2007, as a result of the resignation of the Policy Council in the wake of the Welsh Audit Office inquiry into the development of the new Clinical Block at the Princess Elizabeth Hospital.

Then, immediately prior to the planned debate in April 2007, there was a high profile court case - *Hargreaves v Housing Department* - which raised a number of significant issues about the application of the Housing Control Law following the coming into force of the Human Rights (Guernsey) Law, 2001¹. As a result, the report entitled

¹ The case concerned an appeal that the human rights of the Hargreaves' family were being interfered with by the decision of the Housing Department not to grant housing licences to the family members. In the event this appeal was not determined, because the case was settled out of court.

“Controls on Housing/Population” was never considered by the States, as it was withdrawn while the ramifications of that court case were investigated².

However, even before this occurred, the ongoing uncertainty over which system of population management the States wished to pursue had already meant that it would not be possible for the existing Law to be reviewed and replaced before it was due to expire at the end of June 2007. As a result, the States agreed in March 2007 that the Housing Control Law should be further extended by a further two years, i.e. to expire on 30 June 2009.

The intervening events

Resulting from the above, the States has yet to debate what legislative system of population management and associated administrative structures it wishes to put in place to meet the demographic, economic and other policy challenges ahead.

Efforts to address this have been further compounded by the fact that the States did not accept the Policy Council’s recommended strategic population and migration policy, but instead accepted an amendment from Deputy Roffey to the effect that the Island should “adopt policies consistent with maintaining Guernsey’s population at approximately its current level.” (This has subsequently been enshrined within the Government Business Plan – Priority 5.)

In response to these events, in November 2007 the Policy Council decided to create the Labour Utilisation Strategy Group (LUSG), with the following mandate:

- *To carry out “blue sky” thinking on the interrelationship of housing, population and employment issues in Guernsey, post-2009.*
- *To establish priorities for the future use of labour in the Island through a Labour Utilisation Strategy.*
- *In the light of that Strategy, to review the relevant Government Business Plan and Strategic Economic Plan work streams and to make recommendations on how these should be modified in the light of the objectives identified.*
- *To make recommendations on the most appropriate legislative regime to support the implementation of the Labour Utilisation Strategy, having regard to the need to establish simultaneously:*
 - *a system of determining who should be entitled to live here permanently;*

² Paragraphs 4.1-4.8 of that report outlined the attempts to resolve the matter of criminal convictions checks, concluding: “... that if any measures are to be introduced to protect Guernsey from persons seeking to enter who are not conducive to the public good, then such measures should be formulated and implemented by the Home Department, which is mandated to deal with law and order issues.”

- *what form of controls will be necessary to enable persons to be permitted to live here under some form of permit or licence unconnected to employment;*
- *where the Open Market fits into the Island's future.*
- *To determine how such a regime should be administered, e.g. should there be a Population Office?*
- *To research how other jurisdictions, especially small islands, operate effective employment and immigration regimes, and cope with issues such as Human Rights.*

Unfortunately, although it carried out much useful work, the LUSG had a limited lifespan, as three of its four political members – Deputies Falla, Roffey and Le Tocq – decided not to seek re-election to the States in 2008³.

Its work has thus been inherited by the Policy Council's Population Policy Group (PPG), which is headed by Deputy Flouquet in his role as Deputy Chief Minister.

The conclusions of the Labour Utilisation Strategy Group (LUSG)/Population Policy Group (PPG)

The PPG has reported to the Policy Council that it will not be in a position to report to the States on the matters considered by the LUSG before the expiry date of the Housing Control Law in June 2009.

In particular, the PPG has advised that, based on the detailed work carried out by the LUSG, it is fundamentally reassessing the conclusions reached in the Policy Council's 2007 report on "Controls on Housing/Population" that the best way forward would be to retain the existing Housing Control legislation with some amendments.

The Housing Department is thus left with no option but to seek a further extension of the Housing Control Law while the work of the PPG proceeds.

At the time of writing, the PPG has advised that it is difficult to determine the timescale for completing its work, but that given the additional time that will be needed to review, or possibly replace, the existing legislation, it would be prudent to extend the 1994 Law until 31 December 2011. However, the Policy Council has stated that it will use its best endeavours to bring forward proposals for a revised or new legislative regime well before that date.

Conclusions and Recommendation

While the Housing Department regrets having to seek a further extension to the 1994 Law, it concurs with the Policy Council that it is essential that the fundamentals of a

³ The fourth political member was Deputy Dorey.

regime that is used to address not only housing, but also population and employment issues, be fully reassessed in the light of the demographic, economic and other challenges ahead.

Accordingly, the Housing Department recommends the States to agree to the preparation of an Ordinance to enable the Housing (Control of Occupation) (Guernsey) Laws 1994 to 2001 to remain in force until 31 December 2011.

Yours faithfully

D Jones
Minister

(NB The Policy Council supports the proposals. Although regrettable that it is once again necessary to extend the current Housing Control legislation, this report explains that there are very good reasons for so doing. Indeed the Policy Council has encouraged the Housing Department to take this approach so that the Council can, through its Population Policy Group, complete the necessary research into population, employment and housing policy matters, as referred to in the report and as supported by the Government Business Plan. The completion of this complex work is essential before committing to any revisions of, or replacements for, the current legislation.)

(NB The Treasury and Resources Department has no comment on the proposals.)

The States are asked to decide:-

XVII.- Whether, after consideration of the Report dated 18th September, 2008, of the Housing Department, they are of the opinion:-

1. To agree to the preparation of an Ordinance to enable the Housing (Control of Occupation) (Guernsey) Laws 1994 to 2001 to remain in force until 31 December 2011.
2. To direct the preparation of such legislation as may be necessary to give effect to their above decision.

PUBLIC SERVICES DEPARTMENT

REFURBISHMENT OF BELLE GREVE WASTEWATER DISPOSAL FACILITY

The Chief Minister
Policy Council
Sir Charles Frossard House
La Charroterie
St Peter Port

25th September 2008

Dear Sir

1. Executive Summary

- 1.1 Comprehensive refurbishment of the Belle Greve Wastewater Disposal Facility was one of the major capital projects prioritised by the States in October 2006, to be funded from the Capital Reserve.
- 1.2 In October 2007, the Public Services Department presented outline proposals for the refurbishment and upgrading of this strategically vital facility, to be undertaken in five phases [Billet XXI]. States Members expressed support for urgent completion of the proposed refurbishment and unanimously approved the recommended budget to complete the first phase, Interim Works. A budget for the second phase, Outfall Survey and Report, was approved by the Treasury and Resources Department under delegated powers.
- 1.3 The report emphasises the urgency of the refurbishment project by explaining that Guernsey is, at present, totally reliant upon this 37 year old facility for disposal of almost all wastewater throughout the Island and that, regardless of any future decisions in respect of wastewater treatment, the existing Belle Greve Facility is in need of refurbishment as soon as possible.
- 1.4 As work on the first and second phases is nearing completion, the Department is now reporting back with proposals to commence Phase III, Refurbishment of the Main Pumping Station. Completion of these initial phases will not only greatly improve the resilience and capacity of this vital facility; it will also provide vital technical information necessary to plan the final phases of this project.
- 1.5 The report also outlines the remaining future phases of the refurbishment project and explains what might happen after refurbishment has been completed, taking account of any decision to pursue wastewater treatment. The Department is requesting a budget to plan outfall refurbishment, which would be undertaken as Phase IV of this project.

- 1.6 Although the overall refurbishment strategy is outlined in this report, the States are asked only to approve refurbishment of the existing main pumping station and a budget to develop future plans for improving the existing outfalls. The Public Services Department would have to report back with detailed proposals and a firm budget for outfall improvement, including any viable options, for approval by the States.
- 1.7 The Public Services Department is recommending the States:
- (a) To vote the Public Services Department an additional credit of £2,500,000 to refurbish the Belle Greve Main Pumping Station as set out in this report, such sum to be charged to its capital allocation;
 - (b) To vote the Public Services Department an additional credit of £500,000 to develop plans for outfall refurbishment as set out in this report, such sum to be charged to its capital allocation;
 - (c) To authorise the Treasury and Resources Department to transfer an appropriate sum from the Capital Reserve to the capital allocation of the Public Services Department in respect of these works;
 - (d) To delegate authority to the Treasury and Resources Department to approve acceptance of tenders in connection with these works.

2. Introduction

- 2.1 The Belle Greve Wastewater Disposal Facility receives, partly treats and discharges 90% of the Island's foul wastewater. This vital facility comprises a Headworks located at Marais Rise off Les Banques near the 'Red Lion' road junction and the Belle Greve Long Sea Outfall.
- 2.2 Wastewater draining to the Belle Greve Facility comprises a variable mixture of foul sewage and surface water with some seawater infiltration during high spring tides. Wastewater currently receives preliminary treatment comprising maceration and grit removal and is then pumped through the outfall to discharge over a mile from shore in the Little Russel.
- 2.3 This vital facility was commissioned in 1971 and has operated continuously for 37 years without major refurbishment or upgrading.
- 2.4 The Belle Greve Long Sea Outfall should not be confused with the short outfall visible on the foreshore near the 'Red Lion', one of several former outfalls that have been retained for infrequent auxiliary use. The Red Lion Auxiliary Outfall terminates near the low water mark of the lowest spring tide.
- 2.5 In addition to the two outfalls noted above, there is also a surface water outfall in the same area. The Red Lion Surface Water Pumping Station discharges onto the foreshore by the sea wall; this high level outfall is exposed at most stages of the tide.

3. Wastewater Strategy

- 3.1 In January 2006, the States noted a comprehensive joint report on Sewerage and Wastewater Treatment, prepared by the Public Services and Environment Departments [Billet I of 2006]. The Green Paper informed and stimulated a period of public debate about alternatives and priorities for development and financing of the sewerage network and wastewater treatment.
- 3.2 The issues concerning the Belle Greve Wastewater Disposal Facility were reported in Sections 4.18 to 4.35 of the Green Paper. The relevant key points are:
- Even if a decision to construct a treatment plant were made today, it would take time to plan, finance and procure;
 - In the short to medium term there is no alternative to continued use of the Belle Greve Outfalls;
 - After 37 years continuous service, the Belle Greve Facility requires major refurbishment to ensure that reliable and effective wastewater disposal facilities can be maintained;
 - The Public Services Department announced a comprehensive review to address known deficiencies in this vital strategic asset;
 - Refurbishment of the Belle Greve Wastewater facility will ensure adequate capacity for future increases in wastewater flows.
- 3.3 The deficiencies of the existing Belle Greve Facility included:
- Storm flow exceeding discharge capacity;
 - Odour nuisance;
 - Operational resilience;
 - Outfall maintenance;
 - Risk analysis and contingency planning.
- 3.4 In October 2006 [Billet XVII], the following statement was included in the States Report on Capital Prioritisation: *“The Public Services Department has identified essential works in respect of the wastewater disposal facility at Belle Greve including new headworks, refurbishment of the pumping station and outfalls. The total cost of this facility is estimated to be nearly £10m, of which £6.0m will be incurred before the end of 2010.”* The States agreed that the refurbishment of the Belle Greve Facility was one of the priorities for capital expenditure.

- 3.5 In October 2007, the States approved in principle the introduction of Wastewater Charges; a report with detailed proposals will shortly be submitted for States approval. The Public Services Department considers that Wastewater Charges would be a suitable funding mechanism that should be used to advance provision of wastewater treatment facilities.
- 3.6 The strategically vital wastewater disposal facilities at Belle Greve must be maintained in effective and reliable condition until any long-term alternative has been planned, financed, procured and commissioned. **If and when wastewater treatment is provided, the Belle Greve Headworks will still remain a vital part of the sewerage network.** The Belle Greve outfall would probably be retained to discharge treated effluent or as a storm overflow.
- 4. Strategic Review, Outfall Survey and Interim Business Continuity Measures**
- 4.1 Consultants Black and Veatch Consulting Limited [subsequently Black & Veatch Limited] were appointed in January 2005 to undertake a strategic review of the Belle Greve Wastewater Disposal Facility. An interim report, including some potential solutions and recommendations for further investigation, was received in September 2005.
- 4.2 A provisional refurbishment and upgrading programme was developed in conjunction with Black & Veatch to indicate the overall scope and order of cost involved in refurbishing the Belle Greve Wastewater Disposal Facility. This programme has subsequently been updated; the current programme is attached as Appendix A1. For ease of reference the original programme published in October 2007 is also attached as Appendix A2. It should be noted that the final scope of works, budget cost and programme all depend on the outcome of outfall and flow surveys that are essential to develop practical solutions.
- 4.3 In February 2006, the Treasury and Resources Department approved a capital vote of £200,000 to investigate the condition of the outfalls and continue the strategic review. After further investigation it was found that interim works were necessary to facilitate the outfall survey and mitigate some risks to business continuity.
- 4.4 The initial investigations led to preparation of a report submitted to the States in October 2007 and approval to undertake Phase I, Interim Works, at a budget cost of £1,270,000 [Billet XXI]. As the outfall survey could not be completed until after Phase I refurbishment works, completion of the strategic review and outfall survey was subsequently designated Phase II of the refurbishment project.
- 4.5 Phase I Interim Works will improve operational flexibility and resilience of the Belle Greve Wastewater Disposal Facility by adding the following facilities:
- A new auxiliary storm and standby pumping station;

- A bypass pipeline linking the auxiliary pumping station to the main outfall and the existing Red Lion Auxiliary Outfall;
- An emergency overflow to the foreshore;
- Improved access into the outfall pipe and shaft.

- 4.6 The urgency of these improvements is demonstrated by the burst in the main outfall pipe adjacent to the existing pumping station, which occurred on 3 August 2008. Completion of the Phase I Interim Works will greatly reduce the potential consequences resulting from any future incidents of this nature. However, the full refurbishment will be necessary to restore the condition of this vital wastewater disposal facility.
- 4.7 At the time of drafting, construction of Phase I Works are well advanced and within budget. Substantial completion of this phase is likely to be achieved before this winter. Phase II Outfall Survey and Report has commenced and the initial results are discussed in Section 6 of this report.
- 4.8 With the benefit of additional information obtained during execution of the initial phases, the provisional programme has been revised so that refurbishment of the main pumping station is now programmed prior to refurbishment of the outfalls, as shown in Appendix A1. It should be noted that phase numbers III and IV have therefore been revised from the original programme [Appendix A2].
- 4.9 The Department is now presenting proposals for refurbishment of the main pumping station as Phase III of this project. The age and condition of this facility requires that refurbishment follows on immediately after completion of the Interim Works.

5. Phase III: Refurbishment of Main Pumping Station

- 5.1 The existing Main Pumping Station delivers wastewater through the Belle Greve Long Sea Outfall that terminates over a mile from shore in the Little Russel. The flow to be discharged includes foul sewage from all over the Island, mixed with larger quantities of surface water and some seawater during high spring tides. Separation of foul and surface water is a long term project that would require installation of separate surface water drains throughout the eastern parishes.
- 5.2 There is no significant storage capacity at the Belle Greve Wastewater Disposal Facility; to avoid flooding all wastewater must be discharged when it is received. The rate of flow received varies from 100 litres per second to in excess of 1,000 litres per second.
- 5.3 After 37 years in continuous operation, the electrical and mechanical plant has been maintained in service well beyond normal expectations. Vital components have become obsolete and spares are increasingly difficult to obtain.

Irreplaceable electrical apparatus is located on lower floors where it is at risk of flooding, which could result in complete breakdown of this vital installation for a prolonged period [Internal flooding has occurred twice in recent years and flood level was only just maintained below critical levels.] Even the cast iron pipes are demonstrating their age with two serious bursts this year. Major refurbishment of this vital pumping station is now overdue and urgently required to ensure the island has reliable wastewater disposal facilities.

- 5.4 The proposed works include replacement of all electrical cables, pumps and control apparatus. However, it is not practical or desirable to simply replace equipment with new plant similar to the original installation. Pumping technology has changed since the 1960s when the original pumping station was designed. To fit modern pumps into the available space it will also be necessary to replace existing pipework, internal flooring and lifting apparatus.
- 5.5 The wet well of wastewater pumping stations [the underground chamber where foul wastewater is received prior to pumped discharge] is a hazardous confined space containing untreated sewage and strong gases. The current routing of electrical cables through the wet well with electrical panels and motor controls located over the wet well would now be considered unacceptable. It is therefore proposed to relocate the electrical apparatus to a separate room within the existing building.
- 5.6 The existing standby generator has capacity to support only one of the four pumps in the existing station whereas there will be six pumps in the refurbished main and auxiliary pumping stations. It is therefore proposed to install a larger standby generator.
- 5.7 Some alterations to the interior of the pumping station building and refurbishment will be required, including replacement of the flat roof. Subject to consultation with the Environment Department, it is proposed to construct a pitched roof on the building to reduce future maintenance and create space to incorporate some ancillary facilities. The additional internal space is intended to replace unsightly temporary accommodation and thereby release land required for construction of new preliminary treatment facilities [Phase V].
- 5.8 Hydraulic modelling of the existing pumping station sump has demonstrated that the original design can be greatly improved to reduce sedimentation and transfer of air. The proposed refurbishment offers a unique opportunity to make minor modifications to the existing wet well that will improve outfall performance, minimise future maintenance requirements and reduce energy consumption.
- 5.9 The refurbished main pumping facility will operate in conjunction with the new auxiliary pumping station which is currently under construction. The main pumping station will generally discharge through the main Belle Greve Long Sea Outfall and will be designed to utilise the full capacity of that outfall. The auxiliary pumping station has been designed to provide the additional capacity

required to cope with the highest wastewater flows that may be received at Belle Greve during storm rainfall coinciding with high spring tides. In these circumstances, the auxiliary pumping station would discharge the excess wastewater flow through the Red Lion Auxiliary Outfall. Flexibility has been incorporated so that each pumping station may if necessary discharge through either outfall.

- 5.10 It is envisaged that much of the refurbishment work to improve the existing Main Pumping Station will be undertaken while it remains in service but this existing facility will still need to be taken out of service for several months. The existing pumping facility can only be taken out of service after the new auxiliary pumping facility has been commissioned and only during the drier months. Additional emergency support from mobile pumps will be provided during this critical period when the Main Pumping Station will not be available.
- 5.11 In view of the urgency and complexity of refurbishing this vital strategic facility, outline design and planning has been undertaken in conjunction with the contractor responsible for construction of Phase I Interim Works. This collaborative planning has increased the scope of Phase III to include sump modifications that will improve outfall operation and relocation of ancillary accommodation to provide a site for future replacement of the preliminary treatment plant.
- 5.12 The budget required to refurbish the main Belle Greve pumping station is £2,500,000. Further details of this budget cost are provided in Appendix B. The proposed refurbishment would extend the reliable working life of this pumping facility by at least 20 years. This pumping station will remain a vital hub for the Island's sewerage network if and when new wastewater treatment facilities are provided.
- 5.13 To ensure that the newly refurbished main pumping station is available before autumn 2009, it is essential that procurement of vital equipment and preparations commence without delay.

6. Phase IV: Refurbishment and Upgrading Outfalls

- 6.1 Following the forthcoming completion of Phase I Works the Belle Greve Wastewater Disposal Facility will comprise a long sea outfall supplemented, when absolutely essential, by the Red Lion Auxiliary Outfall. The Belle Greve Long Sea Outfall discharges into deep water with fast tidal currents over one mile from shore in the shipping lane of the Little Russel. By contrast the Red Lion Auxiliary Outfall is only 400 metres long and discharges into shallow water near the low water of spring tides.
- 6.2 Both the existing Belle Greve Long Sea Outfall and Red Lion Auxiliary Outfall require substantial upgrading and refurbishment works to ensure effective wastewater disposal. The outfall refurbishment solution adopted will need to take account of any decisions on wastewater treatment and overall strategies for the east coast of the Island.

- 6.3 Completion of the first two phases of this project will provide vital technical information about the condition of the existing outfalls and more reliable data about flow received at Belle Greve. When this information is available, it will be necessary to undertake marine site investigations and develop options for refurbishment and upgrading these outfalls.
- 6.4 Preliminary estimates for the cost of replacing the existing outfalls with one new outfall suggest an investment in the order of £10 million would be required. Current information indicates that satisfactory refurbishment and upgrading of the outfalls can be undertaken at a budget cost in the range £2.5 million to £4.0 million.
- 6.5 Most of the Belle Greve Long Sea Outfall is spun iron pipe of 686mm [27"] diameter which is installed within a 40 metre deep shaft and 1300 metre long tunnel under the sea. This tunnel was constructed in hard rock and is generally unlined, with metal arch supports installed where unsound rock was encountered.
- 6.6 Completion of the rock tunnel was prevented by adverse geological conditions encountered during construction. The outfall pipe was therefore continued on the sea bed for some 500 metres beyond the end of the tunnelled section. A flexible polyethylene plastic pipe of 600mm diameter [24"] was installed on the seabed; this length is significantly smaller than the pipe installed in the tunnel section. Replacement of the seabed length is therefore an option that might increase the overall capacity of the outfall.
- 6.7 The seaward end of the outfall terminates in a short length of cast iron pipe with several diffusers [smaller diameter branch pipes] designed to disperse wastewater into the tidal currents. To avoid blockages, it has proved necessary to bypass the diffusers until preliminary treatment can be improved as proposed in Phase V of this refurbishment project. When diffusers can be brought back into service dispersion will be improved and the wastewater discharge should no longer be evident on the surface of the sea.
- 6.8 The length of outfall pipe on the seabed has been regularly inspected by divers and is known to be in poor condition. This year an emergency repair to replace a short length of pipe had to be undertaken at a budget cost of £180,000. This repair was the minimum necessary to maintain normal operation of the outfall and was not intended as a permanent refurbishment.
- 6.9 The completed tunnel was deliberately flooded by installing a small diameter pipe connection to the seabed. This provided a seawater intake and protected the tunnel from potential damage due to water flowing into and out of the tunnel through the many fissures in the unlined rock tunnel. Seawater in the tunnel is pressurised at up to 4 atmospheres and subject to tidal variation.

- 6.10 The submerged tunnel, shaft and outfall pipe contained within them had never been inspected or maintained prior to commencing this refurbishment project because there is no safe access. An outfall survey is being undertaken to assess the condition and residual life of the shaft, tunnel and outfall pipes.
- 6.11 The survey requires state of the art equipment, specialist experience and construction of additional facilities. The survey can only be completed after Phase I Interim Works, including construction of new facilities for diversion and control of wastewater discharges and access to the tunnel shaft. Specialist companies are undertaking the survey and pipe condition assessments using remote underwater vehicles and non-destructive testing of both the tunnel and outfall pipe.
- 6.12 The survey is investigating three potential modes of failure:
- A tunnel collapse that might crush the outfall pipe ending all wastewater discharges immediately;
 - Shattering burst in the pipe whereby wastewater discharge continues within the tunnel with substantial leakage landward through air vents and seaward through the connecting pipe and fissures;
 - Perforations in the pipe wall, initially of minor consequence.
- 6.13 Inspection of the tunnel by remotely operated submarine has revealed evidence of slight instability in the first section surveyed but further work is required to explore beyond an obstruction thought to be collapsed roof supports. Appropriate tools are being developed to remove this obstruction to complete the tunnel inspection survey.
- 6.14 Internal corrosion of the metal pipe has slightly reduced its diameter and developed a rough internal surface that significantly reduces the effective discharge capacity. The metal pipe is also exposed to seawater and is known to be corroded on the outside. Metallurgical testing is being undertaken to assess the residual life of this pipeline.
- 6.15 At present there is no hard evidence to suggest that the length of outfall laid in the submerged tunnel will not give good service for another 20 years. However, the outfall will fail at the weakest point which may not be identified by any survey undertaken in these difficult conditions. The real concern is the extreme difficulty of devising any means of effecting simple repair in the remote parts of the submerged tunnel in the absence of safe access even for experienced diving contractors.
- 6.16 Outfall repairs in the tunnel would involve inordinate expense and prolonged delay of months if not years. There is a possibility of sudden failure leaving the Island without satisfactory means of wastewater disposal. Advice is being sought on the possibility of pumping the tunnel dry to undertake repairs but there

would be very substantial costs and some risk of accelerating tunnel collapse. Other options to be considered include filling the tunnel with a suitable material that would surround and thereby protect the outfall pipe in a permanent sleeve, or complete replacement of the outfall.

- 6.17 The Red Lion Auxiliary Outfall is therefore considered essential, not only to supplement the capacity of the Belle Greve Long Sea Outfall during periods of highest flow, but also to provide an alternative emergency outfall. The Department envisages that the Red Lion Auxiliary Outfall will need to be extended and refurbished so that it would be an acceptable substitute outfall for up to 2 years during repair or emergency replacement of the main outfall.
- 6.18 The existing Red Lion Auxiliary Outfall was constructed in about 1900, using cast iron pipes of 900 mm [36 inch] diameter as a gravity outfall. It was supported on wooden piles over much of its length: these piles have deteriorated above the seabed so that parts of the pipe have dropped onto the foreshore. Inspection by CCTV has revealed that the pipe is partially blocked by debris but trial sections have been successfully cleared at moderate cost. Metallurgical tests undertaken in February 2008 demonstrated that the pipe has deteriorated but it is in remarkably good condition for a pipe over 100 years old.
- 6.19 Although the Red Lion Auxiliary Outfall will need to be refurbished and extended, it has already proved invaluable as an alternative to the main outfall. Flows were successfully diverted through the Red Lion Auxiliary Outfall for short periods during construction of Phase I Interim Works, during survey of the Belle Greve Long Sea Outfall and during emergency repairs to the plastic length of that outfall on the seabed. Refurbishment and extension will avoid any pollution of the foreshore when it has to be used.
- 6.20 Further work is required to complete the outfall survey but it is already clear that a budget will be required to develop proposals for refurbishment of the existing outfalls. This budget would comprise site investigation, further survey work and consultancy support to establish appropriate methods and budget costs. The Department is therefore requesting a budget of £500,000 to develop proposals for refurbishment of both the Belle Greve Long Sea Outfall and the Red Lion Auxiliary Outfall.
- 6.21 If and when full wastewater treatment is provided, a new outfall might then be constructed. Even then, it is likely that the existing outfalls will be retained as part of the long-term solution. In the meantime it is essential to maintain the existing outfalls in effective working condition.
- 6.22 Although the overall refurbishment strategy is outlined in this report, the States are asked only to approve refurbishment of the existing main pumping station and a budget to develop future plans for improving the existing outfalls. The Public Services Department would have to report back with detailed proposals and a firm budget for outfall improvement, including any viable options, for approval by the States.

7. Future Phase V: Replacement and Upgrading of Preliminary Treatment

7.1 The Department is proposing to replace the present preliminary treatment unit because simple refurbishment of the obsolete plant would not adequately resolve current operating, storm capacity and business continuity issues. The final scope, scale and layout of preliminary treatment works will depend upon the outcome of further investigations including:

- completion of the initial phases of this project to provide more reliable data about flows received at the Belle Greve Facility during storm rainfall;
- the solution selected for Phase IV[b] Outfall Refurbishment;
- planning considerations to be resolved in conjunction with the Environment Department.

The design will also need to take account of any decisions in respect of full wastewater treatment and the overall strategy for the Island's east coast.

7.2 Preliminary estimates for the cost of replacing and upgrading preliminary treatment are in the range £3.0 million to £4.0 million. If appropriate, storm water retention capacity could be added at an additional cost in the region of £4.0 million.

7.3 The new preliminary treatment plant would have to be fully enclosed within a new building with effective odour control and treatment. Fine screens would replace obsolete maceration plant to remove non-biodegradable plastics and sewage related debris in accordance with current best practice. Grit removal and flow measurement facilities would also be included.

7.4 It may be appropriate to incorporate storm retention capacity to minimise discharges through the auxiliary outfall during routine maintenance and severe storms. Storm retention is likely to be an essential component of any future wastewater treatment plant.

7.5 In addition to replacement and upgrading essential plant, Phase V would provide substantial environmental benefits for the marine environment by removing rather than macerating plastic and other debris. This phase would also improve the current environmental impact on neighbouring properties by reducing odour, noise and improving appearance. This is in effect the first phase of wastewater treatment.

7.6 Replacement and upgrading preliminary treatment would complete refurbishment and upgrading of the existing Belle Greve Wastewater Disposal Facility and could achieve a commensurate reduction in the future cost of providing wastewater treatment.

8. Conclusions

- 8.1 After 37 years continuous service, the Belle Greve Wastewater Facility urgently requires major refurbishment. A decision to provide wastewater treatment would not avoid the need to refurbish the existing facilities, both as an interim measure until new facilities are commissioned and as an essential element in the final solution.
- 8.2 The staged refurbishment programme set out in this report provides flexibility to accommodate future decisions about wastewater treatment and overall strategy for the east coast of Guernsey. Refurbishment would also extend the operational life of this vital facility by 20 years.
- 8.3 Although the overall refurbishment strategy is outlined in this report, the States are asked to approve only Phase III, Refurbishment of the Main Pumping Station and Phase IV[a] Planning Future Outfall Refurbishment. These works are essential to ensure that all wastewater can be discharged without significant risk of foul water flooding or pollution of the foreshore.

9. Recommendations

- 9.1 The Public Services Department recommends the States:
 - (i) To vote the Public Services Department an additional credit of £2,500,000 to refurbish the Belle Greve Main Pumping Station as set out in this report, such sum to be charged to its capital allocation;
 - (ii) To vote the Public Services Department an additional credit of £500,000 to develop plans for outfall refurbishment as set out in this report, such sum to be charged to its capital allocation;
 - (iii) To authorise the Treasury and Resources Department to transfer an appropriate sum from the Capital Reserve to the capital allocation of the Public Services Department in respect of these works;
 - (iv) To delegate authority to the Treasury and Resources Department to approve acceptance of tenders in connection with these works.

Yours faithfully

B M Flouquet
Minister

APPENDIX A1

**CURRENT PROGRAMME FOR REFURBISHMENT AND UPGRADING
BELLE GREVE WASTEWATER DISPOSAL FACILITY**

Phase	Description	Budget Cost - £		Programme
I	Complete Interim Business Continuity Measures	1,270,000		In progress, completion Autumn 2008
II	Outfall Survey & Report	200,000		
	Total Approved Programme	1,470,000		
	Current Proposals			
III	Refurbish Pumping Station	2,500,000		2009
IVa	Planning Outfall Refurbishment	500,000		2009
	Total Current Proposals	3,000,000		
	Future Phases	Minimum Cost	Maximum Cost	
IVb	Refurbish Outfalls	2,500,000	4,000,000 ¹	2009/10
V	Preliminary Treatment Storm-water Retention ²	3,000,000 Omit	4,500,000 4,000,000	2011/12
	Project Total	9,970,000	16,970,000	

Notes:

¹ This estimate excludes replacement or refurbishment of outfall pipes in the submerged shaft and tunnel – a new outfall costing £10 million might be required.

² It may be appropriate to incorporate storm-water retention with preliminary treatment.

APPENDIX A2

PROVISIONAL PROGRAMME PUBLISHED IN BILLET XXI, OCTOBER 2007

Provisional Programme for Refurbishment and Upgrading Belle Greve Wastewater Disposal Facility				
Phase	Description	Budget Cost - £		Programme
I	Complete Interim Business Continuity Measures	1,270,000		2007
II	Outfall Survey & Report	200,000		2007/8
Total Firm Programme		1,470,000		
Future Phases		Minimum Cost	Maximum Cost	Provisional Programme
III	Refurbish Outfalls	2,500,000	4,000,000 ¹	2008/9
IV	Refurbish Pumping Station	1,000,000	2,000,000	2008/9
V	Preliminary Treatment Storm-water Retention ²	3,000,000 Omit	4,500,000 4,000,000	2010/11
Project Total		7,970,000	15,970,000	
Notes:				
¹ This estimate excludes replacement or refurbishment of outfall pipes in the submerged shaft and tunnel – a new outfall costing £10 million might be required.				
² It may be appropriate to incorporate storm-water retention with preliminary treatment.				

APPENDIX B

<u>Belle Greve Refurbishment Phase III: Budget Cost for Main Pumping Station</u>	
Item	Cost £
Pumps	240,000
Electrical Installation	229,000
Motor Controls, Cooling & Instrumentation	398,500
Pipework & Valves	318,000
Civil Engineering – alterations to substructure	323,000
Ancillary Steelwork – Safe Access & Lifting Apparatus	159,000
Building Alterations & Refurbishment	222,000
Standby Generator	310,000
Contingency Allowance	300,500
Total	2,500,000

(NB The Policy Council notes that this phase of work is essential to the overall refurbishment strategy for the Belle Greve Wastewater Facility. It is also vital to ensure the ongoing ability of the Island to dispose of its wastewater. The Council recognises that these proposals accord with Government Business Plan Priority 6 (Determine Waste Management Strategies), and that the work has been identified by the States as a priority for capital expenditure. It therefore advises the States to approve the recommendations contained in the Report.)

(NB The Treasury and Resources Department supports the proposals.)

The States are asked to decide:-

XVIII.- Whether, after consideration of the Report dated 25th September, 2008, of the Public Services Department, they are of the opinion:-

1. To vote the Public Services Department an additional credit of £2,500,000 to refurbish the Belle Greve Main Pumping Station as set out in that Report, such sum to be charged to its capital allocation.
2. To vote the Public Services Department an additional credit of £500,000 to develop plans for outfall refurbishment as set out in this report, such sum to be charged to its capital allocation.
3. To authorise the Treasury and Resources Department to transfer an appropriate sum from the Capital Reserve to the capital allocation of the Public Services Department in respect of these works.
4. To delegate authority to the Treasury and Resources Department to approve acceptance of tenders in connection with these works.

HOME DEPARTMENT**POLICE COMPLAINTS COMMISSION**

The Chief Minister
Policy Council
Sir Charles Frossard House
La Charroterie
St Peter Port

26th September 2008

Dear Sir

1. Executive Summary

The purpose of this supplementary States Report is to recommend that a change be made to the legislation to establish a Police Complaints Commission in Guernsey (“the draft Law”), the preparation of which was directed by the States on 26th January 2005 after consideration of the Home Department Report, dated 10th November, 2004.

The States resolved as follows:

1. *To approve the establishment of a Police Complaints Commission as set out in that Report.*
2. *To direct the preparation of such legislation as may be necessary to give effect to their above decision.*

The change concerns the establishment of a Police Appeals Tribunal (“the Appeals Tribunal”) to deal with appeals from internal disciplinary procedures, which would also hear appeals from decisions of the proposed Police Complaints Tribunal.

The Department’s reasoning for departing from the States resolution of 26th January 2005 follows a far-reaching review the Guernsey Police has carried out into its internal disciplinary procedures. This is also the reason why the Department has not brought the draft Law back to the States sooner. It believed that, whilst this delay was regrettable, it was necessary because, for the Police Complaints Commission to operate effectively and efficiently, it is essential that the Guernsey Police has an internal discipline procedure which is fair and transparent and reflects the work of the service today rather than one based on the Service of the 1960s. The procedure must be one in which police officers, complainants and the general public will have confidence.

The review of the internal discipline procedures has now been completed. The new

procedures will include a specialist tribunal to deal with appeals from internal disciplinary procedures. The Department therefore recommends that this tribunal, the Appeals Tribunal, should be established under the draft Law and that it should also hear appeals from the Police Complaints Tribunal. Therefore, appeals from the Police Complaints Tribunal will not be heard by the Royal Court as originally proposed.

2. States Resolution of January 2005

In its States Report of 10th November 2004 the Department recommended that a police officer should have the right to appeal to the Royal Court against a finding of guilt in respect of a disciplinary charge and/or against the punishment imposed. The intention was that such an appeal would be heard by the Bailiff and two Jurats, save in cases where only matters of law were raised, in which case the Bailiff would sit alone.

The original recommendation was broadly based on the equivalent Jersey legislation as this was believed to be a good model for Guernsey to follow. In Jersey there is a single appeal route against any disciplinary hearing, whether heard by the Police Complaints Authority Tribunal or as part of the States Police internal disciplinary proceedings. Any officer found guilty of a disciplinary charge has the right of appeal against conviction or punishment to a panel of three Jurats.

The question of appeals from internal disciplinary procedures was not expressly dealt with in the 2004 States Report. However, it was implicit that this was to be included in the section dealing with appeals, on the basis that the Jersey model was being followed.

There are obvious advantages in this approach, as fairness demands that all officers who are subject to disciplinary proceedings should have the same appeal rights, whether they have been dealt with by the Police Complaints Tribunal or by way of internal disciplinary procedures.

As a result of the review, the Department believes that to follow Jersey by providing an appeal to the Royal Court, other than on points of law, would be out of step with the modernisation of procedures that the review envisages. Interestingly, the Department understands that the Jersey States Police are closely monitoring developments in Guernsey.

3. The Police Review

The review of the Guernsey Police's internal discipline procedures has demonstrated the need to bring disciplinary matters up to date. The aim is to adopt procedures that are in line with the new approach in the UK. This involves a move away from confrontational and legalistic disciplinary procedures to a less formal system, with greater emphasis on the hands-on management of problems.

However, even under a less formal structure, some provision has to be made for appeals against adverse findings and sanctions. The UK has created a Police Appeals Tribunal to fulfil this rôle. The Guernsey Police wishes to see a similar body established locally.

The Chief Officer of Police has therefore recommended that the local Appeals Tribunal should include appropriately qualified and/or experienced members to deal with police discipline matters fairly and without bias and so ensure public confidence in the process.

It is therefore proposed that the membership of the Appeals Tribunal should comprise a legally qualified chairman, a senior police officer from a different police force (though probably not from Jersey, in view of the close ties between the police forces of the two Islands) and a locally appointed member.

The Department wholly concurs with the Chief Officer of Police's recommendations, for the following reasons:

- (a) The Appeals Tribunal would be a less formal or legalistic forum than the Royal Court, and so more in keeping with the modern approach to disciplinary matters.
- (b) The body making the final adjudication on the facts of a disciplinary matter, which could involve the loss of livelihood, would include people with specific expertise in employment and operational matters peculiar to the police.
- (c) It provides the best use of resources.
- (d) It parallels the approach adopted under the Island's employment protection legislation, in that it affords an officer access to a specialist tribunal which, like the Employment and Discrimination Tribunal, has the power to review and adjudicate on decisions as to dismissal and other sanctions.

As indicated above, the Department believes it is essential that all officers have the same right of appeal, irrespective of whether they have been disciplined under internal procedures or are the subject of a complaint to be dealt with by the Police Complaints Tribunal. It is equally important for public confidence in the police complaints regime that the forum for appeals from the Police Complaints Tribunal is, and is seen to be, an independent body. The Department believes that a right of appeal from the Police Complaints Tribunal to the Appeals Tribunal will meet both of these objectives. There will also be a right of appeal on a point of law only for both parties from the Appeals Tribunal to the Royal Court and thereafter to the Court of Appeal.

Further, the modernisation of police disciplinary procedures is part of a wider movement towards updating the legislation that governs the Guernsey Police. Since the 2004 States Report, the Department and the Guernsey Police have been reviewing a number of aspects of policing and it is the intention, in the foreseeable future, to present proposals for the introduction of a new Police Law.

As part of that process, the Department and the Guernsey Police intend to look at the issue of whether to bring the status of police officers in line with that of their counterparts in other jurisdictions by removing them from the ambit of the Island's employment protection legislation. Obviously this will require full consultation at an

early stage between the relevant States Departments, staff associations and trade unions, and the Department recognises in particular that this is an issue which relates to the mandate and responsibilities of the Commerce and Employment Department. If as a result of that consultation process the decision is taken to remove police officers from the ambit of the employment protection legislation, it will be extremely important that alternative protective measures are in place. Against this background, the Department believes that it would be a mistake not to take this opportunity to put in place a modern system for appeals.

4. Regulations

Further, the Department recommends that the precise membership of the Appeals Tribunal is more appropriately dealt with by regulation than as a specific provision in the primary legislation. The reason for this is to enable the Department to amend the membership of the Appeals Tribunal in a timely way. However, the Department recognises that there are many aspects of the appeal regime which should properly be considered by the States. Therefore it is proposed that the legislation should specify that the regulations dealing with the Appeals Tribunal must be approved by the States. It is also proposed that the draft Law should include a power for the Department to make regulations governing the internal disciplinary procedures of the police force, again subject to approval by the States.

This approach will then also provide a legal basis for the new internal procedures to be introduced by the police.

5. Resources

In its 2004 States Report the Department stated, in relation to the costs associated with the introduction of the Police Complaints Commission that:

“The Home Department estimates that, should the States approve the recommendation to establish a Police Complaints Commission and that the Chairman and Members be eligible to claim expenses and allowances in line with those paid as set out above which parallels those payable to similar bodies, for example the Parole Review Committee, the Commission would cost £15,000 per annum, including secretarial and training costs. This will be funded from the existing Home Department budget. The Commission accounts will be included within the Home Department’s accounts, in line with the practice adopted for the Parole Review Committee.”

The Department believes that the basis on which it calculated the likely costs in 2004 for the Police Complaints Commission remain correct and therefore, allowing for a cumulative increase of RPI of 16.5% since these figures were calculated, the cost is now estimated to be £17,500.

In addition, the Department estimates that a budget of £20,000 should be set for remuneration of the members of the Police Complaints Tribunal and the Appeals

Tribunal and associated expenses, including travelling costs. The Department is mindful that it is impossible to know how many times the two Tribunals may need to sit but recommends that the expenses and allowances should be similar to those for the members of the Commission itself.

The Department is satisfied that administrative support can be provided from within the Department's Central Services. It believes that this should not present any conflict and will provide sufficient independence from the Guernsey Police as a similar arrangement has operated without problems in respect of the Parole Review Committee, together with the Department's responsibilities in respect of the prison and probation services.

The Department believes that initially it will be able to meet these costs from savings on its current budget. However, in the longer term it will be necessary for its budget allocation to include provision to meet the Commission's and the Appeals Tribunal's costs.

6. Consultation

This States Report has been prepared in close consultation with HM Procureur and the Chief Officer of Police. The Department has also sought the views of the Guernsey Police Association and Senior Officer Association and has been advised that both groups are fully supportive of the proposals.

The Department has also consulted the Commerce and Employment Department and taken into account its comments.

7. Conclusion

In the circumstances outlined above, the Department recommends that the policy decision in respect of a Police Complaints Commission in Guernsey reached by the States on 26th January 2005 shall be amended in respect of appeals from the proposed Police Complaints Tribunal for the reasons set out in this Report.

Yours faithfully

G H Mahy
Minister

(NB The Policy Council has no comment on the proposals.)

(NB The Treasury and Resources Department has no comment on the proposals.)

The States are asked to decide:-

XIX.- Whether, after consideration of the Report dated 26th September, 2008, of the Home Department, they are of the opinion:-

1. That the policy decision to establish a Police Complaints Commission in Guernsey reached by the States on 26th January 2005 shall be amended in respect of appeals from the proposed Police Complaints Tribunal for the reasons set out in this Report.
2. To direct the preparation of such legislation as may be necessary to give effect to their Resolution of 26th January 2005 as modified by their above decision.

COMMERCE AND EMPLOYMENT DEPARTMENT

IMF PREPARATIONS - DISQUALIFICATION OF ACTUARIES

The Chief Minister
Policy Council
Sir Charles Frossard House
La Charroterie
St Peter Port

16th October 2008

Dear Sir

1. Executive Summary

In preparation for the forthcoming visit by the International Monetary Fund, and following a request from the Guernsey Financial Services Commission, the Commerce and Employment Department recommends that the *Insurance Business (Bailiwick of Guernsey) Law*, 2002 be amended to give the Commission the power to disqualify actuaries in certain circumstances.

This change is necessary to ensure that the Bailiwick's regulatory regime for the insurance industry complies with internationally accepted standards.

2. The role of actuaries in the insurance industry

The actuarial profession is based on the application of mathematical techniques to quantifying and managing long term risk. Actuaries play a key role in both life insurance and general insurance by calculating technical provisions, including claim reserves. They recommend premium rates and report on companies' financial strength and profitability. The Insurance Business Law requires a Guernsey insurer writing long term (i.e. life or pensions) business to appoint an actuary and imposes certain duties on the actuary.

3. Disqualification of Actuaries

The Commission has written to the Commerce and Employment Department about its proposals in the following terms:

"The Commission recommends the States be requested to approve the amendment described in this letter to the Law concerning the disqualification of actuaries.

The proposed power to disqualify actuaries is similar to the Commission's existing powers to disqualify accountants. The purpose of this proposed amendment is to ensure that Guernsey laws remain up to date and continue to

satisfy international requirements relating to empowering supervisory authorities to disqualify actuaries. The current IAIS Core Principles, which are used as the benchmark which the International Monetary Fund uses to assess jurisdictions as to whether their laws comply with international regulatory standards, now provide that supervisory authorities should have the express power to disqualify actuaries. The Law does not presently contain such a power and, therefore, we propose that the Law should be amended to include appropriate actuary disqualification provisions so that it complies with regard to this issue with the IAIS Core Principles.

Following development of the proposals regarding the disqualification of actuaries, the interested members of the insurance community in the Bailiwick were consulted to obtain their input on the proposals so that they could, if necessary, be further refined.

1. Power to disqualify actuaries

It is proposed that the Commission should have the power under the Law to disqualify a person from being the actuary of a licensed insurer carrying on long term business. Currently, only insurers writing long term business are required to appoint an actuary.

The grounds for disqualification would include, for example:

- (i) failure to comply with any duty imposed on the actuary under any regulatory laws; or
- (ii) if, for any other reason, the actuary is unfit to act as an actuary of a licensed insurer; or
- (iii) if, for any other reason, it is in the interests of the public.

If the Commission proposes to make a disqualification order against any person it would be required to serve notice in writing stating the grounds for the disqualification and allowing 28 days notice for representations to be made. There would ultimately be the same right of appeal to the court as exists with auditors disqualifications and prohibition orders. It is further proposed that the Commission maintain a list of disqualification orders made against actuaries and any legislation will contain such incidental and consequential provisions as may be necessary.

2. Costs

So far as we are aware, the proposal in this letter will not increase the costs of any committee or department of the States of Guernsey. It is not anticipated that any additional staff will be required by the Commission arising from the proposed amendment to the Law.

3. Alderney and Sark

The Policy and Finance Committee of the States of Alderney and the General Purposes and Advisory Committee of the Chief Pleas of Sark have considered and support the proposals contained in this States Report.

4. Consultation

As previously mentioned in this letter, the interested members of the insurance community in Guernsey were consulted about the disqualification proposal.

5. Summary of proposal

It is proposed to Commerce and Employment for the reasons set out in the letter, that the Law be amended to include provisions with respect to the matters described in this letter which will empower the Commission to disqualify actuaries. It is also requested that Commerce and Employment should recommend to the Policy Council that it should direct that the necessary legislation be prepared to give effect to implementing this proposal.”

4. Consultation

The Policy and Finance Committee of the States of Alderney and the General Purposes and Advisory Committee of the Chief Pleas of Sark have considered and support the proposals contained in this States Report.

The Commission has consulted with interested members of the insurance community in Guernsey about the disqualification proposal. Those members of the insurance community likely to be directly affected by the disqualification regime recognise the need for appropriate regulation and support the proposals.

The Law Officers have been consulted and raise no issue with the proposals.

5. Recommendations

The States are asked:

- (a) To approve the proposals of the Commission as set out in this report, and
- (b) To direct the preparation of such legislation as may be necessary to give effect to the foregoing.

Yours faithfully

C S McNulty Bauer
Minister

(NB The Policy Council has no comment on the proposals.)

(NB The Treasury and Resources Department has no comment on the proposals.)

The States are asked to decide:-

XX.- Whether, after consideration of the report dated 16th October, 2008, of the Commerce and Employment Department, they are of the opinion:-

1. To approve the proposals of the Guernsey Financial Services Commission as set out in that report.
2. To direct the preparation of such legislation as may be necessary to give effect to their decision above.

ORDINANCES LAID BEFORE THE STATES

**THE CHARITIES AND NON PROFIT ORGANISATIONS (REGISTRATION)
(GUERNSEY) LAW, 2008 (AMENDMENT) ORDINANCE, 2008**

In pursuance of the provisions of the proviso to Article 66 (3) of the Reform (Guernsey) Law, 1948, as amended, the Charities and Non Profit Organisations (Registration) (Guernsey) Law, 2008 (Amendment) Ordinance, 2008, made by the Legislation Select Committee on the 13th October, 2008, is laid before the States.

THE ROAD TRAFFIC (DRINK DRIVING) (AMENDMENT) ORDINANCE, 2008

In pursuance of the provisions of the proviso to Article 66 (3) of the Reform (Guernsey) Law, 1948, as amended, the Road Traffic (Drink Driving) (Amendment) Ordinance, 2008, made by the Legislation Select Committee on the 13th October, 2008, is laid before the States.

STATUTORY INSTRUMENTS LAID BEFORE THE STATES

**THE HEALTH SERVICE (BENEFIT) (LIMITED LIST) (PHARMACEUTICAL
BENEFIT) (AMENDMENT NO. 6) REGULATIONS, 2008**

In pursuance of section 35 of The Health Service (Benefit) (Guernsey) Law, 1990, the Health Service (Benefit) (Limited List) (Pharmaceutical Benefit) (Amendment No. 6) Regulations, 2008, made by the Social Security Department on 1st October, 2008, are laid before the States.

EXPLANATORY NOTE

These Regulations add to and remove from a limited list of drugs and medicines available as pharmaceutical benefit which may be ordered to be supplied by medical prescriptions issued by medical practitioners or dentists, as the case may be.

**THE INCOME TAX (LOANS TO PARTICIPATORS)
(EXEMPTIONS) (NO. 2) REGULATIONS, 2008**

In pursuance of Section 66A(4)(d) of the Income Tax (Guernsey) Law, 1975, as amended, the Income Tax (Loans to Participators) (Exemptions) (No. 2) Regulations, 2008, made by the Treasury and Resources Department on 14th October, 2008, are laid before the States.

EXPLANATORY NOTE

These Regulations provide that tax deducted by a company in accordance with section 81B of the Income Tax (Guernsey) Law, 1975, as amended by the Income Tax (Zero 10) (Guernsey) Law, 2007 and the Income Tax (Zero 10) (Guernsey) (No. 2) Law, 2007, from a distribution of its undistributed income is not a qualifying loan. Accordingly, tax is not deductible and payable on the amount under that section.

IN THE STATES OF THE ISLAND OF GUERNSEY ON THE 26th DAY OF NOVEMBER, 2008

**The States resolved as follows concerning Billet d'État No XV
dated 7th November 2008**

TREASURY AND RESOURCES DEPARTMENT

AMENDMENT TO THE CHARITIES AND NON PROFIT ORGANISATIONS (REGISTRATION) (GUERNSEY) LAW, 2008 ("THE LAW")

I.- After consideration of the report dated 26th September, 2008, of the Treasury and Resources Department:-

1. (1) To create the statutory office of Registrar of Non-Profit Organisations.
- (2) To direct the preparation of such legislation as may be necessary to give effect to their above decision.
2. (1) That the 2008 Law be amended to provide for the:
 - (a) Administrator of Income Tax to be able to delegate his duties under the Charities and Non-Profit Organisations (Registration) (Guernsey) Law, 2008;
 - (b) creation of a private register of Non-Profit Organisations;
 - (c) removal the obligation to register from Non-Profit Organisations administered, operated or controlled by persons licensed by the Guernsey Financial Services Commission (but to provide that they shall continue to be subject to the Administrator's power to request information);
 - (d) amendment of the definition of "based in" Guernsey; and
 - (e) specifying of the circumstances in which information obtained under the Charities and Non-Profit Organisations (Registration) (Guernsey) Law, 2008 can be used and disclosed.
- (2) To approve the draft Ordinance entitled "The Charities and Non Profit Organisations (Registration) (Guernsey) Law, 2008 (Amendment) (No. 2) Ordinance, 2008" and to direct that the same shall have effect as an Ordinance of the States.

PROJET DE LOI

entitled

THE PRESCRIBED BUSINESSES (BAILIWICK OF GUERNSEY) LAW, 2008

II.- To approve the Projet de Loi entitled “The Prescribed Businesses (Bailiwick of Guernsey) Law, 2008” and to authorise the Bailiff to present a most humble petition to Her Majesty in Council praying for Her Royal Sanction thereto.

PROJET DE LOI

entitled

THE INCOME TAX (GUERNSEY) (AMENDMENT) LAW, 2008

III.-

- (1) To approve the Projet de Loi entitled “The Income Tax (Guernsey) (Amendment) Law, 2008” and to authorise the Bailiff to present a most humble petition to Her Majesty in Council praying for Her Royal Sanction thereto.
- (2) Considering it expedient in the public interest so to do, to declare, pursuant to section 1 of the Taxes and Duties (Provisional Effect) (Guernsey) Law, 1992, that section 6 of the said Projet de Loi shall have effect from the 1st January, 2009, as if it were a Law sanctioned by Her Majesty in Council and registered on the records of the Island of Guernsey.

THE CRIMINAL JUSTICE (PROCEEDS OF CRIME) (BAILIWICK OF GUERNSEY) (AMENDMENT) ORDINANCE, 2008

IV.- To approve the draft Ordinance entitled “The Criminal Justice (Proceeds of Crime) (Bailiwick of Guernsey) (Amendment) Ordinance, 2008” and to direct that the same shall have effect as an Ordinance of the States.

THE DRUG TRAFFICKING (BAILIWICK OF GUERNSEY) (AMENDMENT) ORDINANCE, 2008

V.- To approve the draft Ordinance entitled “The Drug Trafficking (Bailiwick of Guernsey) (Amendment) Ordinance, 2008” and to direct that the same shall have effect as an Ordinance of the States.

**THE DISCLOSURE (BAILIWICK OF GUERNSEY)
(AMENDMENT) ORDINANCE, 2008**

VI.- To approve the draft Ordinance entitled “The Disclosure (Bailiwick of Guernsey) (Amendment) Ordinance, 2008” and to direct that the same shall have effect as an Ordinance of the States.

**THE PREVENTION OF CORRUPTION (BAILIWICK OF GUERNSEY)
(AMENDMENT) ORDINANCE 2008**

VII.- To approve the draft Ordinance entitled “The Prevention of Corruption (Bailiwick of Guernsey) (Amendment) Ordinance 2008” and to direct that the same shall have effect as an Ordinance of the States.

**THE LAND PLANNING AND DEVELOPMENT (FEES AND
COMMENCEMENT) ORDINANCE, 2008**

VIII.- To approve subject to the following amendment, the draft Ordinance entitled “The Land Planning and Development (Fees and Commencement) Ordinance, 2008” and to direct that the same shall have effect as an Ordinance of the States.

AMENDMENT

In the Table of Fees in Schedule 1 to the draft Ordinance entitled “The Land Planning and Development (Fees and Commencement) Ordinance, 2008” (on pages 123 to 131 of the Brochure):

- a) for “2.25 vergées” wherever appearing substitute “2.47 vergées”;
- b) at items 6A and 6B of that Table (on page 129 of the Brochure) for “0.56 of a vergee” substitute “0.62 of a vergee”.

**THE ATTENDANCE AND INVALID CARE ALLOWANCES
ORDINANCE, 2008**

IX.- To approve the draft Ordinance entitled “The Attendance and Invalid Care Allowances Ordinance, 2008” and to direct that the same shall have effect as an Ordinance of the States.

THE FAMILY ALLOWANCES ORDINANCE, 2008

X.- To approve the draft Ordinance entitled “The Family Allowances Ordinance, 2008” and to direct that the same shall have effect as an Ordinance of the States.

THE HEALTH SERVICE (BENEFIT) (AMENDMENT) ORDINANCE, 2008

XI.-To approve the draft Ordinance entitled “The Health Service (Benefit) (Amendment) Ordinance, 2008” and to direct that the same shall have effect as an Ordinance of the States.

THE LONG-TERM CARE INSURANCE (GUERNSEY) (RATES) ORDINANCE, 2008

XII.-To approve the draft Ordinance entitled “The Long-term Care Insurance (Guernsey) (Rates) Ordinance, 2008” and to direct that the same shall have effect as an Ordinance of the States.

THE SOCIAL INSURANCE (RATES OF CONTRIBUTIONS AND BENEFITS, ETC.) ORDINANCE, 2008

XIII.-To approve the draft Ordinance entitled “The Social Insurance (Rates of Contributions and Benefits, etc.) Ordinance, 2008” and to direct that the same shall have effect as an Ordinance of the States.

THE SUPPLEMENTARY BENEFIT (IMPLEMENTATION) (AMENDMENT) ORDINANCE, 2008

XIV.-To approve the draft Ordinance entitled “The Supplementary Benefit (Implementation) (Amendment) Ordinance, 2008” and to direct that the same shall have effect as an Ordinance of the States.

ORDINANCES LAID BEFORE THE STATES

THE CHARITIES AND NON PROFIT ORGANISATIONS (REGISTRATION) (GUERNSEY) LAW, 2008 (AMENDMENT) ORDINANCE, 2008

In pursuance of the provisions of the proviso to Article 66 (3) of the Reform (Guernsey) Law, 1948, as amended, the Charities and Non Profit Organisations (Registration) (Guernsey) Law, 2008 (Amendment) Ordinance, 2008, made by the Legislation Select Committee on the 13th October, 2008, was laid before the States.

THE ROAD TRAFFIC (DRINK DRIVING) (AMENDMENT) ORDINANCE, 2008

In pursuance of the provisions of the proviso to Article 66 (3) of the Reform (Guernsey) Law, 1948, as amended, the Road Traffic (Drink Driving) (Amendment) Ordinance,

2008, made by the Legislation Select Committee on the 13th October, 2008, was laid before the States.

STATUTORY INSTRUMENTS LAID BEFORE THE STATES

THE HEALTH SERVICE (BENEFIT) (LIMITED LIST) (PHARMACEUTICAL BENEFIT) (AMENDMENT NO. 6) REGULATIONS, 2008

In pursuance of section 35 of The Health Service (Benefit) (Guernsey) Law, 1990, the Health Service (Benefit) (Limited List) (Pharmaceutical Benefit) (Amendment No. 6) Regulations, 2008, made by the Social Security Department on 1st October, 2008, were laid before the States.

THE INCOME TAX (LOANS TO PARTICIPATORS) (EXEMPTIONS) (NO. 2) REGULATIONS, 2008

In pursuance of Section 66A(4)(d) of the Income Tax (Guernsey) Law, 1975, as amended, the Income Tax (Loans to Participators) (Exemptions) (No. 2) Regulations, 2008, made by the Treasury and Resources Department on 14th October, 2008, were laid before the States.

IN THE STATES OF THE ISLAND OF GUERNSEY ON THE 28th DAY OF NOVEMBER, 2008

(Meeting adjourned from 26th November 2008)

**The States resolved as follows concerning Billet d'État No XV
dated 7th November 2008**

POLICY COUNCIL

INTERNATIONAL IDENTITY FRAMEWORK DOCUMENT

XV.- After consideration of the Report dated 6th October, 2008, of the Policy Council:-

Having noted the contents of that report, to authorise the Chief Minister to sign the International Identity Framework Document.

TREASURY AND RESOURCES DEPARTMENT

SUPERANNUATION FUND: ACTUARIAL REPORT

XVI.- After consideration of the Report dated 1st October, 2008, of the Treasury and Resources Department:-

1. To note the Actuarial Valuation of the States of Guernsey Superannuation Fund as at 31 December 2007.
2. That, with effect from 1 January 2010, except for Guernsey Electricity Limited, Guernsey Post Limited and the Guernsey Financial Services Commission, the policy will be to set employer contribution rates at a level that fully funds the costs of benefits accruing in respect of future service and 90% of the past service liabilities.
3. That, except for Guernsey Electricity Limited, Guernsey Post Limited and the Guernsey Financial Services Commission, the employer and additional employer contribution rates in respect of the States of Guernsey Superannuation Fund shall be as set out in Appendix 1 with effect from 1 January 2010.
4. That the employer contribution rate for Guernsey Electricity Limited be increased from 16.3% to 17.3% with effect from 1 April 2009.
5. That the employer contribution rate for Guernsey Post Limited be increased from 14.0% to 15.0% with effect from 1 April 2009.

6. That the employer contribution rate for the Guernsey Financial Services Commission be increased from 10.4% to 17.8% with effect from 1 January 2009.

HOUSING DEPARTMENT

THE HOUSING (CONTROL OF OCCUPATION) (GUERNSEY) LAW, 1994 – REQUEST FOR A FURTHER EXTENSION

XVII.- After consideration of the Report dated 18th September, 2008, of the Housing Department:-

1. To agree to the preparation of an Ordinance to enable the Housing (Control of Occupation) (Guernsey) Laws 1994 to 2001 to remain in force until 31 December 2011.
2. To direct the preparation of such legislation as may be necessary to give effect to their above decision.
3. To instruct the Policy Council to increase the level of staffing available to the Population Policy Group to a level which reflects the urgency of the work streams assigned to that group.

PUBLIC SERVICES DEPARTMENT

REFURBISHMENT OF BELLE GREVE WASTEWATER DISPOSAL FACILITY

XVIII.- After consideration of the Report dated 25th September, 2008, of the Public Services Department:-

- 1 To vote the Public Services Department an additional credit of £2,500,000 to refurbish the Belle Greve Main Pumping Station as set out in that Report, such sum to be charged to its capital allocation.
- 2 To vote the Public Services Department an additional credit of £500,000 to develop plans for outfall refurbishment as set out in this report, such sum to be charged to its capital allocation.
- 3 To authorise the Treasury and Resources Department to transfer an appropriate sum from the Capital Reserve to the capital allocation of the Public Services Department in respect of these works.
- 4 To delegate authority to the Treasury and Resources Department to approve acceptance of tenders in connection with these works.

HOME DEPARTMENT

POLICE COMPLAINTS COMMISSION

XIX.- After consideration of the Report dated 26th September, 2008, of the Home Department:-

1. That the policy decision to establish a Police Complaints Commission in Guernsey reached by the States on 26th January 2005 shall be amended in respect of appeals from the proposed Police Complaints Tribunal for the reasons set out in this Report.
2. To direct the preparation of such legislation as may be necessary to give effect to their Resolution of 26th January 2005 as modified by their above decision.

COMMERCE AND EMPLOYMENT DEPARTMENT

IMF PREPARATIONS - DISQUALIFICATION OF ACTUARIES

XX.- After consideration of the report dated 16th October, 2008, of the Commerce and Employment Department:-

1. To approve the proposals of the Guernsey Financial Services Commission as set out in that report.
2. To direct the preparation of such legislation as may be necessary to give effect to their decision above.

S M D ROSS
HER MAJESTY'S DEPUTY GREFFIER