

CONFIDENTIAL

Title of Report: Pensions Board Subsidy 2012/13

Paper No: 270/11

Date: December 2011

Report of: FS/Pensions Officer

1. Purpose

- 1.1 To obtain approval for the continuation of an annual subsidy to support the operation of the Pensions Board.

2. Recommendation

- 2.1 Honourable Members are advised to recommend an allocation in the 2012/13 Draft Estimates of **£110,000**, under accounts code 0999 4203, to the Budget Select Committee in order to continue the annual subsidy to the Pensions Board.

3. Summary of Financial Implications

- 3.1 None (these amounts are already in the budget)

4. Background

- 4.1 The Pensions Board was constituted under the provisions of section 5 of the Falkland Islands Pensions Scheme (FIPS) Ordinance 1997.

- 4.2 The continuation of a subsidy at £110,000 is required in order to support the operation of the Pensions Board. The Board are required to undertake occasional periodic reviews, using external professional services, of their investment policies and procedures to ensure they are still appropriate and such a review is now required. An increase in professional fees has been included for this.

- 4.3 It would be difficult for the Board to operate with a working balance lower than the current level which is estimated to be approximately £26,750 (June 2012) and £25,800 (June 2013), because of the occasional ad hoc payment of pension benefits and the timing of subsidy payments and anticipated invoices. Please note that from the proposed subsidy to be paid to the Board by FIG, £28,549 would be recovered in respect of secretarial services provided through the Treasury.

- 4.4 Rather than the expenses of the Board being met by the FIPS membership, FIG agreed that it would meet them. This was agreed for two main reasons:

- ❖ to help encourage the transfer of FIG employees from the old final salary schemes to the new (money purchase) FIPS as part of the new employment package in 1997; and

❖ to help promote membership of the scheme Island-wide.

4.5 The FIPS has been subject to active investment management from 1 January 1999. Due to the economic upturn toward the end of the year the fund realised an increase in value of 12.8% in 2010 (this figure includes the monthly contributions received during the year).

4.6 The Board has been proactive in promoting the Scheme with articles appearing in Penguin News, FIG newsletters and Chamber of Commerce bulletins. There are currently 1,006 active members, and in the last 12 months 35 FIG employees and two from the Private Sector have joined and there has been 17 retirements. The numbers of members making Personal Additional Voluntary Contributions has also increased. The Board is constantly looking at new ways of raising awareness of pension issues and promoting the Scheme.

5. Financial Implications

5.1 If Members agree the recommendation an ongoing subsidy of £110,000pa will result.

5.2 If Members are minded not to agree the recommendations, and wish to see a change in the payment of the Schemes expenses, the alternative involves FIPS member's paying all or some of the expenses of the Board. To recover all expenses the members would need to be charged around 0.38% of their individual account balances or an equal amount of around £110.30 (based on 2011 data) per member per year.

5.3 Should 5.2 above be adopted the Board would need to determine the amount of recovery and the most equitable method for doing so.

6. Legal Implications

6.1 If Members agree the recommendation there are no legal implications.

6.2 If Members are minded not to agree the recommendation an amendment to the FIPS Ordinance will be required and members would need to be advised of the implications accordingly.

7. Human Resources Implications

7.1 None other than those contained within the text of the paper.

The Treasury
Stanley
December 2011