



## Social Security Report & Accounts – 2009

# Social Security Department

## Centre for work, pensions and benefits

### MINISTER

I. J. GORST, Deputy of St. Clement

### ASSISTANT MINISTER

A. E. JEUNE, Deputy of St. Brelade

### CHIEF OFFICER

R. W. BELL

On the 7th September 2010, the Social Security Minister presented to the Assembly its Report and Financial Statements for the year ended 31st December 2009.

The States ordered that the said Report be printed and distributed.

Mr. M. N. De La Haye  
Greffier of the States



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# Minister's Report for 2009

## Introduction

These Financial Statements report on the Social Security, Social Security (Reserve) and Health Insurance Funds ("the Funds"). The tax funded element of the Department's spend is reported separately and included with other States funded bodies in the States of Jersey Financial Report and Accounts. Appendix 1 on page 69 sets out the income and expenditure of each element of the Department's operations.

The Social Security Fund has again achieved success in terms of its finances, with income increasing at a greater rate than expenditure, generating a surplus of £ 37.4 million – £1.5 million more than 2008.

The performance of the Social Security (Reserve) Fund in 2008 was disappointing but not unexpected given the turbulence in the world's financial markets. The first quarter of 2009 saw a further reduction in the value of investments held against the 2008 year end. However, the Fund recovered well during the remaining nine months of the year, ending 2009 £145.3 million higher at £711.9 million. The Social Security (Reserve) Fund now holds more than five years worth of pension payments from the Social Security Fund and current pension payments are secure.

The UK Government Actuary's Department (GAD) published their report on 25 September 2009 following their actuarial review of the Social Security Fund as at 31 December 2006. This concluded that the Fund's outlook remained healthy in the short term but in the long term assets may need to be drawn down from the Reserve Fund to meet any shortfall between income and expenditure. Inevitably contributions will need to be increased in order to maintain the value of the Social Security Pension. GAD reported that "the Reserve Fund is expected to be extinguished by sometime in the 2030's (the exact year is very sensitive to the assumptions made)". It should be remembered that the Reserve Fund is a 'buffer' to deal with the longer term funding of Social Security pension payments and as such, the value of assets can fluctuate from year to year without affecting those payments.

The introduction of the new Income Support system in 2008 was a major project for the Department and work continued in 2009 on refining the administrative and operational issues.

The Temporary Insolvency Scheme was set up in 2009 and will remain in place until a statutory scheme is introduced. A White Paper setting out proposals for a permanent scheme was published at the end of the year with the intention to introduce legislation during 2010.

Employment Services continue to support unemployed workers through the recession. Working closely with Economic Development and Education, Sport & Culture, the Department has enhanced the information and analysis available in respect of individuals actively seeking work.

Throughout 2009 the Department continued with its vitally important "day-to-day" business of collecting contributions from local employers and employees and distributing a range of benefits and pensions to clients, whilst ensuring that clients received a high level of customer service and accurate advice.

# Minister’s Report for 2009

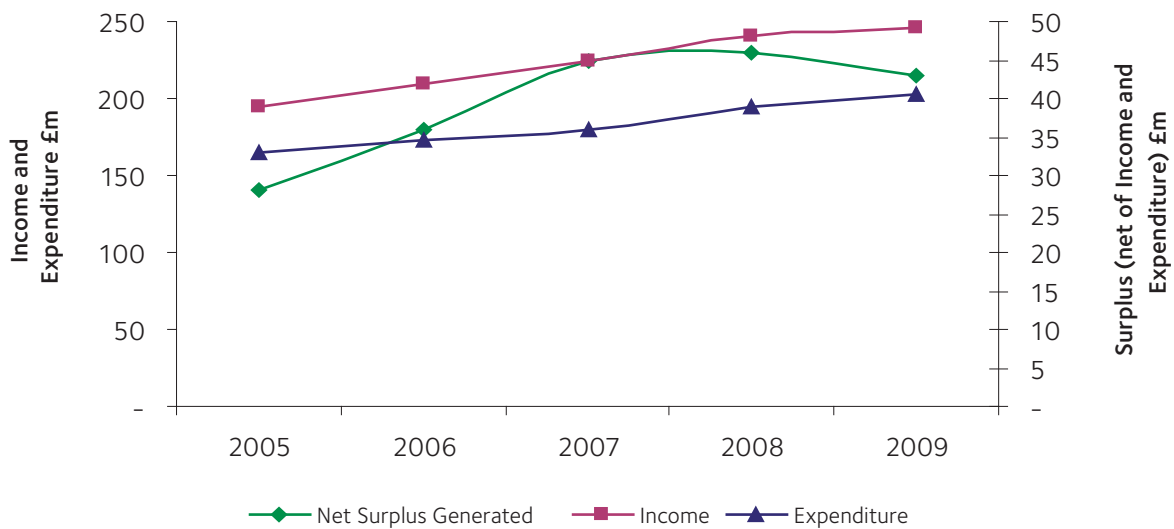
## Introduction

The year saw a sustained rise in contribution income and expenditure, with a surplus achieved during the year in both the Social Security Fund and Health Insurance Fund, providing opportunity for further investment for the future. Headline figures were:

- **Income** from contributions, supplementation, interest and rent reached £246 million, an increase of 3 % over 2008 (2008: £239 million).
- **Expenditure on benefits** was £195 million, a rise of 5 % over 2008 (2008: £186 million).
- An increase of £145.3 million in **Net Assets** of the **Social Security (Reserve) Fund**, the investment vehicle for the Social Security Fund, increasing the total balance to £712 million (2008: £567 million). This balance includes the transfer of £38 million in 2009 from the Social Security Fund.
- An increase of £5 million in **Net Assets** of the **Health Insurance Fund**, raising the Net Assets to £77 million (2008: £72 million).

The graph below shows the movement in income and expenditure over the last five years and the surplus achieved:

INCOME, EXPENDITURE AND SURPLUS OF THE SOCIAL SECURITY AND HEALTH INSURANCE FUNDS



# Minister's Report for 2009

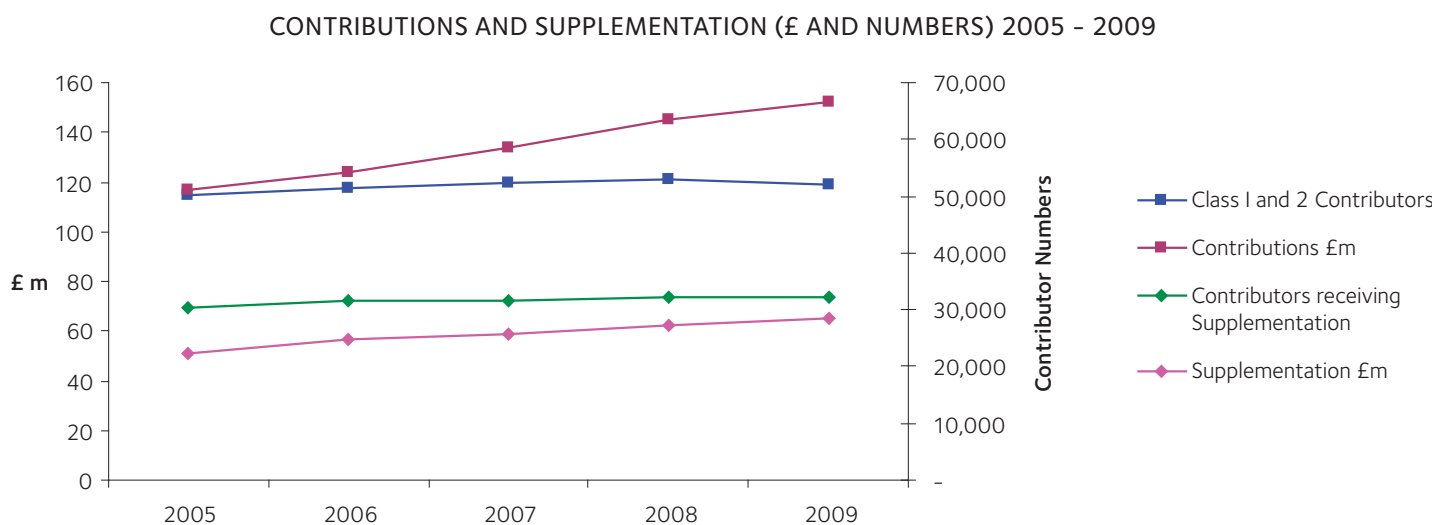
## Introduction – Social Security Scheme

The Social Security scheme is the means by which people insure themselves, through the payment of contributions, for their old age and for periods of ill-health or disability.

**Contributions** collected from employees and employers rose by £7 million (2008: £11 million) to £152 million (2008: £145 million). This rise reflects the earnings linked up-rating in the contribution ceiling (4.95%) offset by a reduction in the number of people working. In 2009 there were approximately 52,000 people working in respect of whom Contributions were paid, 1,000 less than 2008.

**States Contribution** reflects the funding provided by the States to top-up the contributions of the lower to medium range of wage earners (those earning between £8,976 and £42,480 per annum) to protect their benefit and pension entitlement. This is called supplementation and for 2009 the average number of workers earning below the contribution ceiling during the year and requiring supplementation reduced by 220 to 33,522 (2008: 33,742). In terms of the cost for the year there was an increase of £3.2 million (5.1%) from 2008, with supplementation reaching £65 million. In terms of both numbers supplemented and cost these figures were less than originally forecast which is a reflection of the slowing down in the economy during 2009.

The graph below shows contributor numbers and supplementation over the last 5 years:



**Pension costs** increased by 5% to £131.6 million (2008: £124.7 million). The increase was driven by two factors - the increase in pensioner numbers from 2008 to 25,467 (2008: 24,894) and the annual earnings-linked up-rating.

**Incapacity Allowances** increased by 1.3% to £37.5 million (2008: £36.9 million). These are payable when a person is either unable to work through injury, ill-health, disability or has a long term loss of faculty.

**Grants and Allowances** The Department pays maternity allowance, maternity grant and death grant. These costs totalled £3.0 million for the year (2008: £2.9 million) and accounted for 1.7% of benefit expenditure in 2009.



# Minister’s Report for 2009

## Introduction – Social Security Scheme

The UK Government Actuary’s Department (GAD) carried out their review of the Fund as at 31 December 2006, issuing their report on 25 September 2009. This concluded that the Funds outlook remains healthy in the short term but that action will need to be taken in order to ensure that the Fund can continue to meet its commitments in the long term. This might include drawing down assets from the Reserve Fund to meet any shortfall between income and expenditure in the Social Security Fund. The Investment Policy sets out the requirement that the Fund must meet at least 12 months’ expenditure and at present the accumulated surplus of the Fund and the Social Security (Reserve) Fund exceeds this target by more than three times.

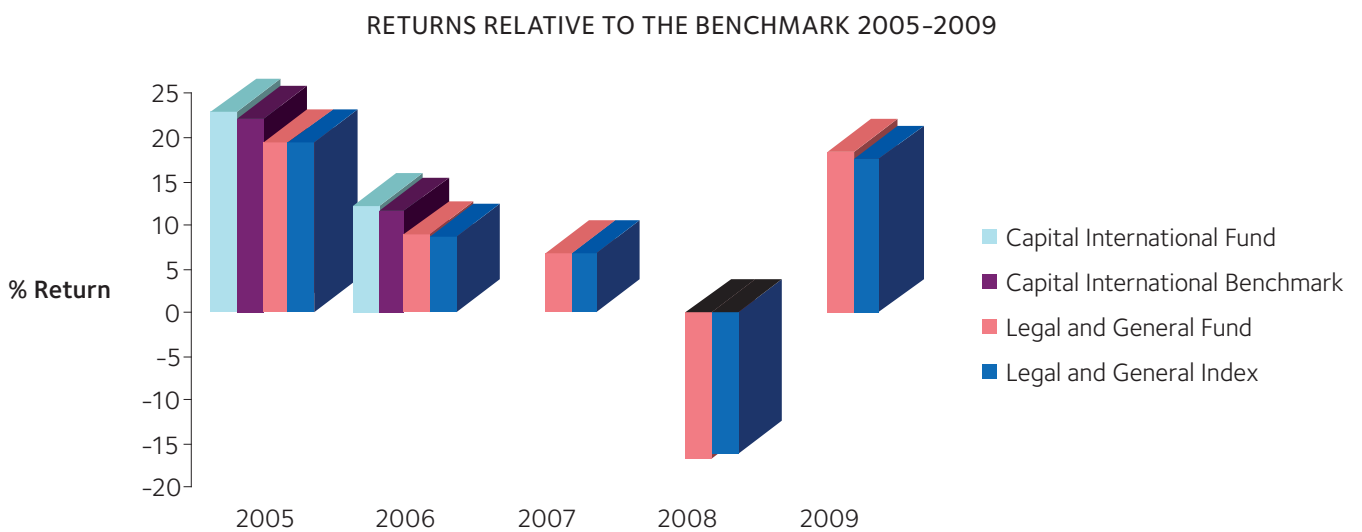
## Introduction – Social Security (Reserve) Fund

The Social Security (Reserve) Fund is the mechanism by which contribution rate and ceiling changes are smoothed over time. Without this Fund, pensions and benefits would need to be paid entirely on a pay-as-you-go basis. At present and for the near future, benefits will be funded out of annual revenues. The Fund increases certainty and enables longer term planning by employers, employees and the States of Jersey.

The net asset value of the Fund was £711.9 million at the end of 2009 – an increase of £145.3 million on 2008. The Accounting Officer of the Fund is the Treasurer of the States. The Fund is performance managed by the Treasury and Resources Department through a Committee chaired by the Minister for Treasury and Resources. Investment advice is received from Hewitt Associates Limited.

The Social Security (Reserve) Fund is a long term investor that does not currently require its assets to be readily available. Liquidity is not therefore a key component of the investment strategy except that the holding of liquid assets enables changes to be made easily.

The graph below shows the return achieved against the benchmark over the last 5 years:



# Minister's Report for 2009

## Introduction – Health Insurance Fund

The Health Insurance Fund levies contributions on earnings to subsidise GP visits and prescriptions for residents.

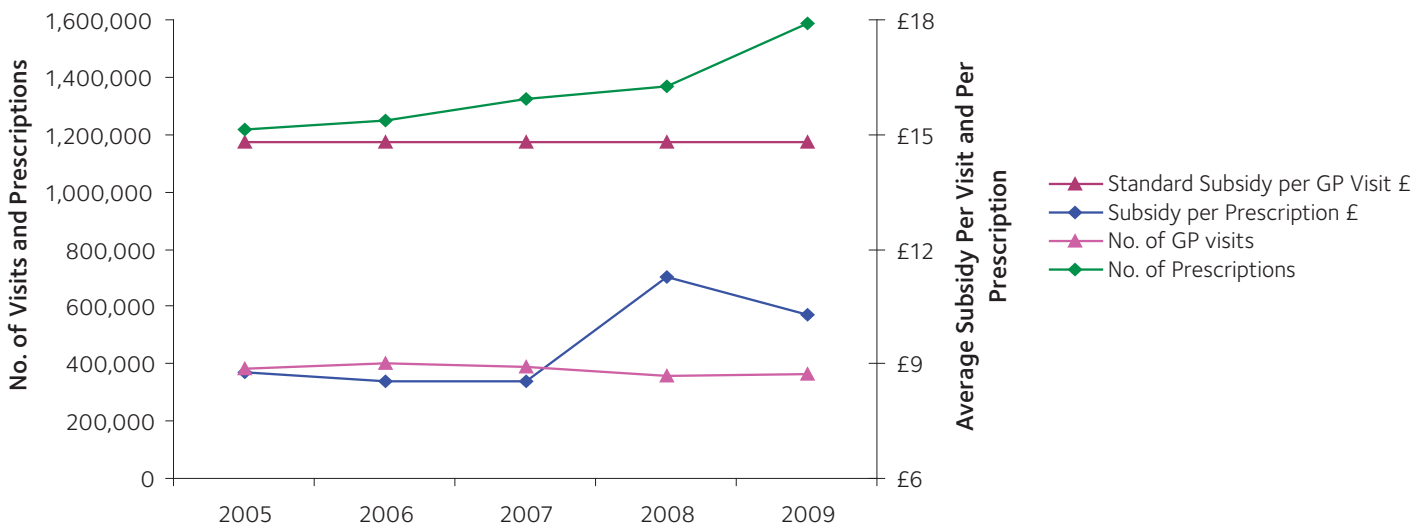
**Contributions** collected from employees and employers rose by £1.4 million to £28.9 million, a 4.9% increase (2008: £27.5 million) which reflects both the earnings linked up-rating in the contribution ceiling and the number of people working in Jersey.

During 2009, the number of subsidised visits to **General Practitioners** was in excess of 364,000, costing £5.8 million (2008: £5.3 million).

The cost of subsidising **prescriptions increased** during 2009 to £16.5 million (2008: £15.6 million) as a result of the increase in the number of prescriptions from 1,347,460 in 2008 to 1,590,227 in 2009. The Department continues to work with General Practitioners on prescribing protocols and the selection of cost effective products.

The graph below shows the number of GP visits and prescriptions with the average subsidy paid over the last five years:

PRESCRIPTIONS AND GP VISITS SUBSIDY



The **Net Assets** of the Health Insurance Fund reached £77.5 million at the end of 2009 (2008: £72.1million). This Fund continues to perform well, however this should not be cause for complacency. This will assist in cushioning the financial impact of developments in information technology and the challenge of future demographic changes.

The UK Government Actuary's Department (GAD) last carried out their review of the Fund as at 31 December 2002 and reported that it had grown strongly over the previous 5 years. The next report which is for the period ending 31 December 2007, will be available in 2010. The Investment Policy sets out the requirement that the Fund must meet at least 12 months' expenditure and at present the accumulated surplus exceeds this target by more than three times.

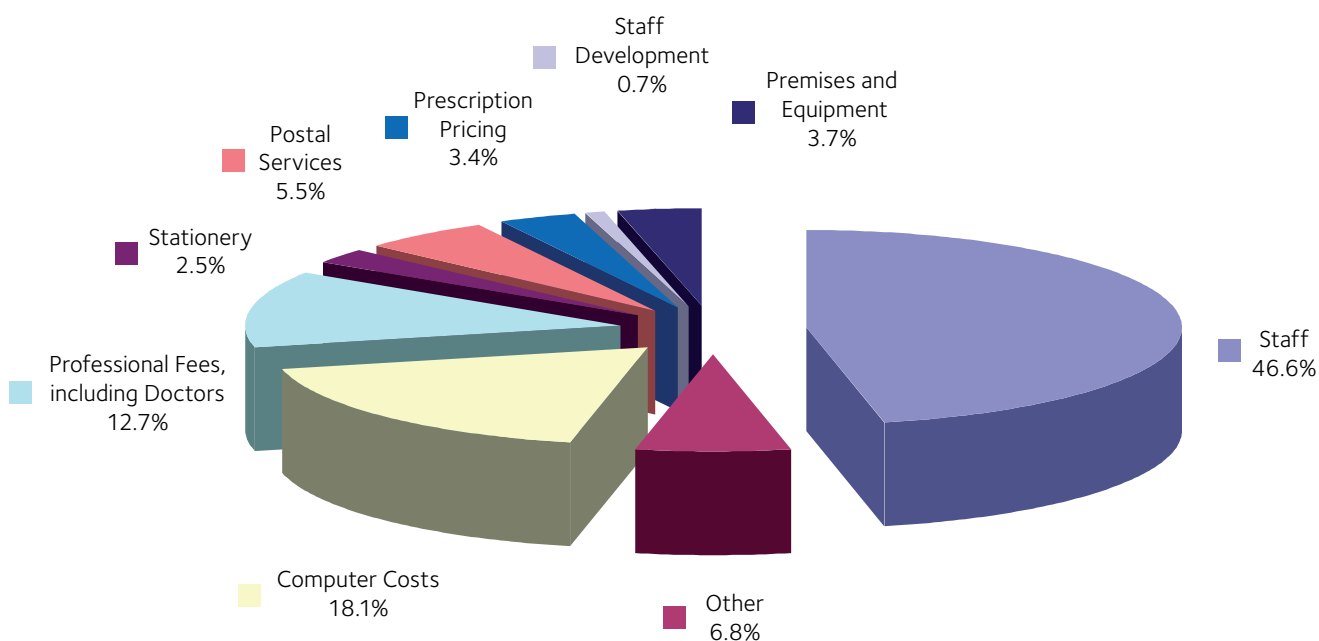
## Minister's Report for 2009

### Introduction – Administration of the Funds

The Social Security Department administers the Social Security Fund and the Health Insurance Fund. The Social Security (Reserve) Fund is administered by the Treasury and Resources Department. Expenditure on administering benefits from these funds amounted to £6.7 million (2008: £6.7 million). This is equivalent to 3.5% (2008: 3.6%) of the value of benefits administered.

The pie chart below shows the category of expenditure within the total administration cost:

FUND ADMINISTRATION COST £6.7 MILLION - EXPENDITURE ANALYSIS



## Social Security Fund

### The Funding Principles Of The Social Security Scheme

The Social Security Scheme is financed on the “Pay-as-you-go” basis, with the expenditure on benefits and administration being met from current income.

The Social Security (Reserve) Fund is maintained for the following purpose:-

- as a reserve against adverse economic conditions or other contingencies
- as a mechanism by which contribution rates may be levelled out over the years
- as a deliberate policy to make some provision for the ageing demographic

Social Security requires long term planning. The rates of contribution required to meet the outgoings of the Scheme are determined not only by the level of benefits, but also by the relative number of beneficiaries and contributors. Independent actuarial reviews of the scheme are taken every three years to assist in this planning.

The latest report of the UK Government Actuary’s Department (GAD) on the financial condition of the Social Security Fund as at 31 December 2006 concludes that the Funds outlook remains healthy in the short term. However, it states that action will need to be taken in order to ensure that the Fund can continue to meet its commitments in the long term. This will include drawing down assets from the Reserve Fund to meet any shortfall between income and expenditure in the Social Security Fund. In the absence of changes to contributions or benefits, GAD reported that “the Reserve Fund is expected to be extinguished by sometime in the 2030’s (the exact year is very sensitive to the assumptions made)”. Copies of this report are available from the States’ Greffe.

## Social Security Fund

### Statement Of The Responsibilities Of The Minister for Social Security Of The States Of Jersey In Respect Of The Financial Statements

The Social Security (Jersey) Law, 1974, requires that financial statements of the Social Security Fund and Social Security (Reserve) Fund shall be prepared in such form, manner and at such times as the Minister for Social Security may determine. The Minister is responsible for preparing the financial statements.

In preparing the financial statements the Minister is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable United Kingdom accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on a going concern basis unless it is inappropriate .

The Minister is responsible for keeping proper accounting records which disclose with reasonable accuracy, at any time, the financial position of the Funds.

The Minister is responsible for safeguarding the assets of the Fund and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

#### **ANNUAL REPORT**

The Annual Report is available as a publication and on a website maintained by the States of Jersey. The maintenance and integrity of the website is the responsibility of the States of Jersey. The work carried out by the auditors does not involve consideration of the maintenance and integrity of this website and accordingly, the auditors accept no responsibility for any changes that have occurred to the Annual Report since they were initially presented on the website. Visitors to the website need to be aware that legislation in Jersey governing the preparation and dissemination of financial statements may differ from legislation in their own jurisdiction.

## Social Security Fund

### Independent Auditor's Report To The Minister For Social Security

I have audited the financial statements of the Social Security Fund and the Social Security (Reserve) Fund which comprise the income and expenditure account, the statement of total return, the statement of total recognised gains and losses, the balance sheets, the cash flow statement and related notes. These financial statements have been prepared under the accounting policies set out therein.

#### Respective responsibilities of the Minister and auditors

As described in the Statement of the Minister's Responsibilities, the Minister is responsible for the preparation of the financial statements in accordance with the Social Security (Jersey) Law 1974.

My responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the Minister in accordance with the Social Security (Jersey) Law 1974 and for no other purpose. I do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by my prior consent in writing.

I report to you my opinion as to whether the financial statements give a true and fair view and have been properly prepared in accordance with the Social Security (Jersey) Law 1974. I also report to you if, in my opinion, the Minister's Report is not consistent with the financial statements, if the Department has not kept proper accounting records, or if I have not received all the information and explanations I require for the audit.

I have read the other information contained in the Annual Report and consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the Minister's Report and the statistical appendices.

#### Basis of audit opinion

I have conducted my audit in accordance with the International Standard on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Minister in the preparation of financial statements, and of whether the accounting policies are appropriate to the funds' circumstances, consistently applied and adequately disclosed.

I planned and performed the audit so as to obtain all the information and explanations which I consider necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements.

#### Opinion

In my opinion the financial statements give a true and fair view, of the state of the Funds' affairs as at 31 December 2009 and of their transactions and cash flow for the year then ended and have been properly prepared in accordance with the Social Security (Jersey) Law 1974.



C Swinson OBE  
Comptroller and Auditor General  
Morier House, Halkett Place, St Helier, JE1 1DD  
13 August 2010

## Social Security Fund

Income and expenditure account for the year ended 31 December 2009

	Notes	2009		2008	
		£000	£000	£000	£000
<b>Income</b>	<b>1</b>				
Contributions			<b>151,787</b>		144,634
States contribution			<b>64,995</b>		61,842
Bank interest			<b>158</b>		1,878
Other income			<b>192</b>		126
			<b>217,132</b>		208,480
<b>Expenditure</b>	<b>1</b>				
<b>Benefits</b>					
- <b>Pensions</b>					
- Pensions and survivors' benefits			<b>131,620</b>		124,671
- <b>Short term incapacity</b>					
- Short term incapacity allowance			<b>12,553</b>		11,664
- <b>Long term incapacity</b>					
- Long term incapacity allowance		<b>11,107</b>		10,462	
- Invalidity benefit		<b>13,818</b>		14,861	
			<b>24,925</b>		25,323
- <b>Grants and allowances</b>					
- Maternity allowance		<b>1,997</b>		1,971	
- Maternity grant		<b>519</b>		508	
- Death grant		<b>477</b>		428	
			<b>2,993</b>		2,907
			<b>172,091</b>		164,565
<b>Administration expenses</b>					
- Staff costs	<b>4</b>	<b>2,572</b>		2,649	
- Depreciation	<b>7</b>	<b>1,906</b>		1,906	
- Other administrative expenses		<b>2,672</b>		2,961	
- Net admin costs of the Social Security (Reserve) Fund	<b>1</b>	<b>537</b>		511	
			<b>7,687</b>		8,027
			<b>179,778</b>		172,592
<b>Surplus of income over expenditure for the year</b>	<b>6</b>		<b>37,354</b>		35,888

### CONTINUING OPERATIONS

All of the fund's income and expenditure is derived from continuing activities.

THE NOTES ON PAGES 18 TO 32 FORM PART OF THESE ACCOUNTS.

## Social Security Fund

### Statement of Total Recognised Gains and Losses as at 31 December 2009

	<b>2009</b> <b>£000</b>	2008 £000
<b>Surplus for the financial year</b>	<b>37,354</b>	35,888
Transferred to Social Security (Reserve) Fund	<b>(38,585)</b>	(35,120)
<b>Total recognised gains and losses</b>	<b>(1,231)</b>	768

THE NOTES ON PAGES 18 TO 32 FORM PART OF THESE ACCOUNTS.



## Social Security Fund

Balance Sheet as at 31 December 2009

	Notes	2009		2008	
		£000	£000	£000	£000
<b>Fixed Assets</b>					
Tangible fixed assets	7		8,477		10,352
<b>Current Assets</b>					
Debtors	8	44,231		41,896	
Cash at Bank and in hand		21,576		24,184	
		65,807		66,080	
<b>Creditors (amounts falling due within one year)</b>	9	4,351		5,806	
<b>Net Current Assets</b>			61,456		60,274
<b>Net Assets</b>			69,933		70,626
<b>Funds Employed</b>					
Revaluation Reserves	10		719		719
Revenue Reserves	11		69,214		69,907
			69,933		70,626

Signed: 

(Chief Officer – Social Security Department)

Date: 13 August 2010

Signed: 

(Minister for Social Security)

Date: 13 August 2010

THE NOTES ON PAGES 18 TO 32 FORM PART OF THESE ACCOUNTS.

## Social Security Fund

### Cash flow Statement as at 31 December 2009

	Notes	2009		2008	
		£000	£000	£000	£000
<b>Operating Activities</b>					
Net cash inflow from operating activities	13		36,418		25,112
<b>Returns on Investments and Servicing of Finance</b>					
Bank interest received		168		1,947	
Rent received		170		120	
<b>Net Cash inflow from Returns on Investments &amp; Servicing of Finance</b>			338		2,067
<b>Capital Expenditure and Financial Investments</b>					
Payments to acquire tangible fixed assets		(64)		(284)	
Transfers to Social Security (Reserve) Fund		(38,585)		(35,120)	
<b>Net cash outflow from Capital expenditure and Financial Investments</b>			(38,649)		(35,404)
<b>Management of Liquid Resources</b>					
Decrease in money held on deposit	14		1,300		10,300
<b>(Decrease) / increase in cash in year</b>			<b>(593)</b>		2,075

### Reconciliation of Net Cash Flow to Movement in Net Funds

		2009		2008	
		£000	£000	£000	£000
(Decrease) / increase in cash in the year		(593)		2,075	
Net cash outflow from management of liquid resources		(1,300)		(10,300)	
Change in Net Funds			(1,893)		(8,225)
Net funds at 1 January			21,742		29,967
<b>Net funds at 31 December</b>	14		<b>19,849</b>		21,742

THE NOTES ON PAGES 18 TO 32 FORM PART OF THESE ACCOUNTS.

# Social Security Fund

## Notes to the Financial Statements for the year ended 31 December 2009

### 1 ACCOUNTING POLICIES

#### 1.1 BASIS OF PREPARATION

The financial statements are prepared on the historical cost convention, as modified by the revaluation of certain tangible fixed assets, in accordance with UK GAAP, so far as it is applicable to these financial statements. The Minister considers that the formats adopted within these financial statements are the most appropriate to the circumstances of the Social Security Fund (the "Fund") and in accordance with the Social Security (Jersey) Law 1974.

The preparation of financial statements in conformity with UK GAAP requires the use of certain critical accounting estimates. It also requires the Minister to exercise his judgement in the process of applying the Fund's accounting policies.

FRS17 sets out the standards for sponsors of occupational pension schemes to account for their liabilities in respect of those schemes. It requires sponsors to place on their balance sheet the surplus or deficit in the scheme as far as the sponsor is able to recover the surplus or make up the deficit. The annual change to the surplus or deficit is reported partly through the profit and loss account and partly through the Statement of Total Recognised Gains and Losses (STRGL).

The Fund provides pension benefits for the contributors of the scheme within the Island and hence could be seen to fall under FRS 17. However, there are a very wide range of opinions on the extent to which countries need to declare their pension scheme surplus or deficit and these have yet to be resolved. This view is supported by the UK Government Actuary's Department (GAD) who have advised that they are unaware of any countries who report their pension scheme surplus or deficit on their balance sheet.

A summary of the more important accounting policies are set out below together with an explanation of any changes which have been made to previous policies on adoption of new accounting standards.

#### UK GAAP DISCLOSURES

The Department has considered the disclosure requirements under UK GAAP and has adopted FRS26, 'Financial Instruments: Recognition and Measurement' and FRS29, Financial Instruments Disclosure'. FRS26 requires the investments to be carried using bid price. FRS29 requires disclosure as to the nature and risks arising from financial instruments to which the Fund is exposed and how these are managed.

#### 1.2 FOREIGN CURRENCY

##### (a) *Functional and Presentation Currency*

The performance of the Fund is measured and reported in sterling. The Minister considers sterling as the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions. The financial statements are presented in sterling, which is the Fund's functional and presentation currency.

##### (b) *Transaction and Balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income and expenditure accounts.

#### 1.3 INCOME

Income is accounted for on an accruals basis and includes the following categories:

##### (a) *Contributions*

Contributions represent payments made by employers, employees and the self employed.

Social Security contributions are set at the rate of 10.5% of earnings (Employees, 5.2%; Employers, 5.3%). The financial statements include an estimation in respect of the contributions from insured persons, employers and the States of Jersey for the year ended 31 December 2009.

# Social Security Fund

## Notes to the Financial Statements for the year ended 31 December 2009

### 1 ACCOUNTING POLICIES (continued)

(b) *States' Contribution*

States' contribution is the sum paid by the States of Jersey to supplement the contributions of individuals with monthly earnings between the lower earnings threshold (2009: £748 per month) and the upper earnings limit (2009: £3,540 per month), to ensure that an individual's contribution record is maintained resulting in full benefit and pension payments.

(c) *Bank Interest Received*

Interest income is accrued on a time basis, by reference to the principal outstanding and the interest rate.

(d) *Other Income*

Other income includes rental income which is received from sub-letting office space within the building.

(e) *Net income/(deficit) from Social Security (Reserve) Fund*

In accordance with the Social Security Law (Jersey) 1974, the net revenue income/(deficit) on the Social Security (Reserve) Fund is transferred to the Social Security Fund at the end of the financial year. Excess funds held by the Social Security Fund are transferred to the Social Security (Reserve) Fund.

### 1.4 BENEFITS AND ADMINISTRATIVE EXPENSES

#### BENEFITS

Benefits are paid to claimants who qualify for a benefit within the Social Security (Jersey) Law 1974 and meet the required conditions.

Benefits are recognised during the period when they become due and consist of the following:

(a) Pensions

Pensions and survivors' benefits are paid to those claimants and their survivors who are entitled to receive a State pension based on the contributions made during their working lives.

(b) Short Term Incapacity Benefit

Short Term Incapacity Allowance is a daily benefit which is payable to claimants in receipt of a medical certificate who are unfit for work due to illness or injury and who meet certain contribution conditions.

(c) Long Term Incapacity Benefit

Long Term Incapacity Allowance is a weekly benefit, payable as a compensation for a loss of faculty. As with Short Term Incapacity Allowance certain contribution conditions must be met before payment is awarded.

(d) Grants and Allowances

These include payments for Maternity Grant and Maternity Allowance as well as grants paid on the death of a person who has contributed to the Social Security Scheme.

#### ADMINISTRATIVE EXPENSES

Administrative expenses are accounted for on an accruals basis, with the exception of bad debts which are accounted for as set out in paragraph 1.8, and consist of the following:

(a) Staff Costs

Staff who work on the Fund are employed by the States Employment Board and are therefore recorded gross in the Social Security Departmental pages of the States Financial Report and Accounts. The cost of staff who work on the Fund are recharged as a service to the Fund and recorded as staff costs. These costs include salaries, wages paid to staff and pension contributions.

(b) *Other Administrative Expenses*

Other administrative expenses include service costs, operating costs and bad debts.

## Social Security Fund

### Notes to the Financial Statements for the year ended 31 December 2009

#### 1 ACCOUNTING POLICIES (continued)

##### 1.5 TANGIBLE FIXED ASSETS

Tangible assets are capitalised if they are capable of being used for a period which exceeds one year and they:

- individually have a cost of at least £10,000, or
- form part of a project with an overall final cost of at least £10,000.

Tangible fixed assets are stated at cost less accumulated depreciation.

Depreciation has been provided on all tangible fixed assets, other than freehold land, so as to write off the cost of these assets less their estimated residual values, on a straight line basis over their expected useful economic lives. The principal useful lives used for this purpose are:

Buildings	50 years
Building Improvements	5 to 20 years
Fixtures, Fittings & Equipment	5 years
Computer Development	8 years
Computer Network	3 years

The carrying values of tangible fixed assets are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable.

##### 1.6 CASH AT BANK AND IN HAND

Cash at bank and in hand includes cash, demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

##### 1.7 TRADE DEBTORS

Trade debtors are measured at initial recognition at fair value and reflect contributions and services provided for which income is due as at 31 December 2009 and benefits due in 2010 which are paid in 2009. Contributions outstanding at 31 December 2009 represent contributions for the last quarter (October to December 2009), together with contributions due from earlier periods.

Outstanding contributions are estimated using historical data adjusted for any contributions received. The calculation also includes the balance of instalment arrangements outstanding and the value of the third quarter 2009 arrears due from successful civil court action along with an estimate for the last quarter 2009 civil court action.

##### 1.8 BAD DEBTS

Class 1 and Class 2 contributions are written off as follows:

- Class 1: A write off is made when the employer cannot contribute on behalf of their employee by virtue of being declared en desastre or bankrupt.
- Class 2: A write off is made when the individual has defaulted on an instalment arrangement and died.

An instalment arrangement is when the contributor has entered into a financial arrangement with the Department to reimburse outstanding contributions due from earlier periods.

A provision for bad debts is only made when an instalment is not received from a contributor.

Any bad debt write off is apportioned between the Social Security Fund and the Health Insurance Fund.

# Social Security Fund

## Notes to the Financial Statements for the year ended 31 December 2009

### 1 ACCOUNTING POLICIES (continued)

#### 1.9 PROVISION FOR LIABILITIES AND CHARGES

Provision is made in the financial statements in respect of obligations arising from past events where the predicted outcome of the event is considered probable and there is a reliable estimate of the amount of the liability.

#### 1.10 FUNDS UNCLEARED AT BANK

The Fund does not have a facility for a bank overdraft. Funds uncleared at bank represent cheques issued not yet cashed on the benefit payment bank accounts.

#### 1.11 LOANS PAYABLE

The Health Insurance Fund does not operate a bank account. Consequently all receipts and payments in relation to the Health Insurance Fund are made through nominated Social Security Fund bank accounts and then reallocated to the loan account as appropriate. The loan account is repayable on demand.

#### 1.12 TRADE CREDITORS

Trade creditors are measured at initial recognition at fair value.

#### 1.13 TAXATION

The Fund is exempt from Jersey Income Tax by virtue of Article 131 of the Income Tax (Jersey) Law 1961.

### 2 FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Financial assets and financial liabilities are recognised on the Fund's balance sheet when the Fund becomes a party to the contractual provisions of the instrument. A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. The Fund derecognises its financial assets when the contractual rights to the cash flows from the financial asset expire. The Fund derecognises its financial liabilities when the obligation specified in the contract is discharged, cancelled or expires.

#### (a) Classification

The financial assets are classified as 'loans'. The financial liabilities are classified as 'Other financial liabilities'.

#### (b) Trade Debtors

Trade debtors are measured at initial recognition at fair value.

#### (c) Cash at Bank

Cash at bank and in hand includes cash, demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

#### (d) Trade Creditors

Trade creditors are measured at initial recognition at fair value.

### 3 FINANCIAL RISK MANAGEMENT

The Fund's activities expose it to liquidity and credit risk. The Social Security Department undertakes periodic risk reviews which involve identifying key risks, scoring them and documenting their mitigation.

#### (a) Market Risk

No investments are held by the Fund. However, short-term bank deposits are held at fixed rates and therefore these are not subject to market price risk. These cash flows are primarily fixed in nature and are received from short-term highly liquid investments that are readily convertible and subject to an insignificant risk of changes in value.

#### (b) Credit Risk

The Fund's principal financial assets are trade debtors and bank balances.

## Social Security Fund

### Notes to the Financial Statements for the year ended 31 December 2009

#### 3 FINANCIAL RISK MANAGEMENT (continued)

The Fund's credit risk is primarily attributable to its trade debtors. The Fund's objectives for managing the risk are to ensure that the trade debtors are recovered promptly and that the cash at bank is secure. Where monies are not received within their payment terms they are referred to the Social Security Compliance Section for recovery. In these instances instalment arrangements are made for repayment of monies owed or court action progressed. The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies with a minimum rating of 'A' only accepted for short term deposits and 'AA' for longer term deposits (+ 3 months).

##### (c) Liquidity Risk

The Fund's exposure to liquidity risk is low due to the volume of cash available to meet its short-term obligations. The Fund's objectives for managing the risk are to ensure that there are enough liquid resources to meet short-term liabilities.

Daily cash flow forecasts are undertaken and any liquidity risk identified as part of this process is addressed by managing the amounts placed on short-term deposit. The Fund manages its exposure to liquidity risk by monitoring the rolling forecast of the Fund's liquidity reserves on the basis of the expected cash in and out flows. All liabilities are payable upon demand or in less than one year.

##### (d) Fair value interest rate Risk

During the year, the Fund received income from its fixed bank deposits. These cash flows were primarily fixed in nature and therefore there was a potential risk of market rate movement during the fixed period. From March 2010, the Department manages its banking arrangements and fund deposits through the States of Jersey Cash Managers 'Royal London Asset Management', negating this risk.

#### 4 STAFF COSTS

Remuneration directly associated with administering the Fund for the year ended 31 December, analysed by category is as follows:

	2009 £000	2008 £000
Directors	203	208
Other Employees	2,369	2,441
	<b>2,572</b>	2,649

At 31 December the Social Security Department's equivalent number of budgeted full time employees (FTE) is 144 (2008: 142).

Details of the Department's employees for whom their total remuneration, including pension benefits and overtime payments exceeded £70,000 for the year ended 31 December are as follows:

Remuneration	2009	2008
£70,000 to £89,999	5	5
£90,000 to £109,999	—	—
£110,000 to £129,999	1	1

## Social Security Fund

### Notes to the Financial Statements for the year ended 31 December 2009

#### 4 STAFF COSTS (continued)

The above numbers include remuneration for the Social Security Fund, Health Insurance Fund and States of Jersey benefits – all of which are administered by the Social Security Department.

Staff costs include pension contributions, 2009: £296,300 (2008: £312,122) in respect of staff employed to administer the Fund who are members of the States of Jersey Public Employees' Contributory Retirement Scheme (PECRS). PECRS membership is compulsory for all States of Jersey permanent employees 20 years of age and over (excluding teachers).

Contributions made to the States of Jersey Public Employees' Contributory Retirement Scheme, are charged to revenue expenditure in the period they are incurred.

#### 5 PENSION SCHEME

##### 5.1 PUBLIC EMPLOYEES' CONTRIBUTORY RETIREMENT SCHEME (PECRS)

PECRS is open to all public sector employees (excluding teachers) over 20 years of age. Membership is obligatory for all employees on a permanent contract and therefore those paid from the Social Security Fund.

The Scheme is managed by a Committee of Management established by the States of Jersey which has five sub-committees to investigate and report on complex technical issues.

The last published actuarial valuation of the Scheme by Hewitt Associates Limited as at 31st December 2007, dated 2 July 2009, indicated that the Scheme had an actuarial deficiency of £63.2 million at the effective date of the valuation. As at 31st December 2009, PECRS had a market value of £1,111 million (2008: £924 million). The States of Jersey contribution to the Scheme in 2009 was £33.6 million (2008: £32.5 million).

The Actuary has concluded that this deficiency will need to be dealt with in accordance with the terms of the Scheme's Regulations.

Since the Social Security Department is unable to readily identify its share of the underlying assets and liabilities of PECRS, under FRS17, contributions to the scheme will be accounted for as if they were contributions to a defined contribution scheme.

The latest actuarial valuation of the Scheme took place on 31 December 2007, and this year's FRS 17 disclosures are based on the results of this valuation.

The scheme, whilst a final salary scheme is not a conventional defined benefit scheme as the employer is not responsible for meeting any ongoing deficiency in the scheme. As a result of that limitation on the States' responsibility as employer, the scheme deficit is disclosed but not recognised in the accounts of the States of Jersey.

The States of Jersey in agreeing P190/2005 on September 2005 have confirmed responsibility for the past service liability which arose from the restructuring of the PECRS arrangements with effect from 1 January 1988. This liability amounted to £250.6 million at 31 December 2009.

Over 82 years (from 2002) the past service liability would thereby be repaid, at which point the employers' contribution rate would revert to 15.16% of members' salaries.

Copies of the latest Report and Accounts of the States of Jersey and the Public Employees' Contributory Retirement Scheme are available from the States' Greffe.

##### 5.2 ADDITIONAL INFORMATION REQUIRED BY FRS 17

PECRS is a final salary scheme but not a conventional defined benefit scheme as the employer is not responsible for meeting any ongoing deficiency in the scheme. As a result of that limitation on the States' responsibility as employer, the scheme deficit is disclosed but not recognised in the accounts.



## Social Security Fund

### Notes to the Financial Statements for the year ended 31 December 2009

#### 5 PENSION SCHEME (continued)

The assumptions and methodology required under FRS 17 differ considerably from the approach that has been used by the Actuaries of PECSRS in providing Actuarial Valuations, used for funding purposes. These differences in methodology combined with the time that has elapsed since the latest Actuarial Valuation mean that the FRS 17 results are different to the position revealed in the latest formal published Actuarial Valuation.

The results of up to date Actuarial Valuations, rather than the results of the FRS 17 disclosures below, will be used to determine the quantum of any adjustments that may be needed to the benefits and contributions of the Fund.

Information on the scheme is presented in the accounts, reflecting the cost of the scheme to the employer. As the scheme limits the liability to the Fund, scheme surpluses or deficits are only recorded to the extent that they belong to the Funds.

The major assumptions used for the FRS 17 actuarial assessments at 31 December are:

	2009 % pa	2008 % pa
Inflation	4.0	3.1
Rate of general long-term increase in salaries	5.2	4.4
Rate of increase to pensions in payment (weighted average over all elements)	4.0	3.1
Discount rate for scheme liabilities	5.7	6.0

The mortality assumptions used are based on the recent actual mortality experience of members within the PECSRS and the assumptions also allow for future mortality improvements. The assumptions are that a member currently at the assumed retirement age of 63 will live on average for a further 24 years if they are male and for a further 26 years if they are female.

The following table reflects the financial position of PECSRS, including all admitted bodies other than Jersey Telecom Group Limited and Jersey Post International Limited.

On the FRS 17 basis, the assets and liabilities of the scheme are:

	Long-term rate of return expected at 31 December 2009 (% p.a.)*	Value at 31 December 2009 £000	Long-term rate of return expected at 31 December 2008 (% p.a.)*	Value at 31 December 2008 £000
Equities	8.3	744,403	7.6	548,082
Property	8.8	10,510	6.6	17,561
Corporate Bonds	5.5	259,494	5.5	268,034
Cash/Other	0.7	96,556	2.5	90,577
Combined	7.0#	1,110,963	6.8#	924,254

Asset values for 2009 and 2008 are bid values

\* The expected return on assets by asset category is not a required FRS17 (Amended December 2006) disclosure item (only the total rate needs to be disclosed).

# The overall expected rate of return on scheme assets is a weighted average of the individual expected rates of return on each asset class.

## Social Security Fund

### Notes to the Financial Statements for the year ended 31 December 2009

#### 5 PENSION SCHEME (continued)

##### RECONCILIATION OF FUNDED STATUS TO BALANCE SHEET

	Value at 31 December 2009 £000	Value at 31 December 2008 £000
Fair value of scheme assets	1,110,963	924,254
Present value of funded defined benefit obligations	(1,680,780)	(1,306,089)
Asset/(liability) as recognised on the balance sheet of PECRS	(569,817)	(381,835)

##### ANALYSIS OF PROFIT AND LOSS CHARGE

	Year ending 31 December 2009 £000	Year ending 31 December 2008 £000
Current service cost	33,174	37,482
Interest cost	78,317	72,927
Expected return on scheme assets	(54,254)	(74,793)
Expense recognised in profit and loss	57,237	35,616

PECRS, whilst a final salary scheme, is not a conventional defined benefit scheme as the employer is not responsible for meeting any ongoing deficiency in the scheme. Employer contributions are charged to revenue expenditure in the year they are incurred. As this scheme limits the liability of the States as the employer, scheme surpluses or deficits are only recorded within the States' accounts to the extent that they belong to the States.

##### CHANGES TO THE PRESENT VALUE OF THE DEFINED BENEFIT OBLIGATION DURING THE YEAR

	2009 £000	2008 £000
Opening defined benefit obligation	1,306,089	1,252,981
Current service cost	33,174	37,482
Interest cost	78,317	72,927
Contributions by scheme participants	11,981	11,261
Actuarial (gains)/losses on scheme liabilities*	297,177	(29,422)
Net benefits paid out	(46,212)	—
Past service cost	254	(39,140)
Closing defined benefit obligation	1,680,780	1,306,089

\* Includes changes to the actuarial assumptions

## Social Security Fund

Notes to the Financial Statements for the year ended 31 December 2009

### 5 PENSION SCHEME (continued)

#### CHANGES TO THE FAIR VALUE OF SCHEME ASSETS DURING THE YEAR

	2009 £000	2008 £000
Opening fair value of scheme assets	924,254	1,105,336
Expected return on scheme assets	54,254	74,793
Actuarial gains/(losses) on scheme assets	133,059	(260,192)
Contributions by the employer	33,627	32,196
Contributions by scheme participants	11,981	11,261
Net benefits paid out	(46,212)	(39,140)
Closing fair value of scheme assets	1,110,963	924,254

#### ACTUAL RETURN ON SCHEME ASSETS

	2009 £000	2008 £000
Expected return on scheme assets	54,254	74,793
Actuarial gains/(losses) on scheme assets	133,059	(260,192)
Actual return on scheme assets	187,313	(185,399)

#### HISTORY OF ASSET VALUES, DEFINED BENEFIT OBLIGATIONS AND SURPLUS/DEFICIT IN SCHEME

	2009 £000	2008 £000
Fair value of scheme assets	1,110,963	924,254
Defined benefit obligation	(1,680,780)	(1,306,089)
Deficit in scheme	(569,817)	(381,835)

#### HISTORY OF EXPERIENCE GAINS AND LOSSES\*

	2009 £000	2008 £000
Experience gains/(losses) on scheme assets	133,059	(260,192)
Experience gains/(losses) on scheme liabilities*	27,835	(23,258)

\* This item consists of gains/(losses) in respect of liability experience only, and excludes any change in liabilities in respect of changes to the actuarial assumptions used.

### 6 SURPLUS OF INCOME OVER EXPENDITURE

Surplus of Income is stated after charging/(crediting):

	2009 £000	2008 £000
Auditors' fees	60	71
Depreciation	1,906	1,906
Rental income from third parties	(70)	(20)
Rental income from related parties	(100)	(100)

## Social Security Fund

Notes to the Financial Statements for the year ended 31 December 2009

### 7 TANGIBLE FIXED ASSETS

	Land, buildings and improvements £000	Fixtures and fittings £000	Computer development and network £000	Total £000
<b>Cost</b>				
At 1 January 2009	8,943	65	12,736	<b>21,744</b>
Additions	9	22	—	<b>31</b>
Disposals	—	—	—	<b>—</b>
At 31 December 2009	8,952	87	12,736	<b>21,775</b>
<b>Accumulated depreciation</b>				
At 1 January 2009	3,320	65	8,007	<b>11,392</b>
Charge for the year	430	3	1,473	<b>1,906</b>
At 31 December 2009	3,750	68	9,480	<b>13,298</b>
<b>Net book value</b>				
<b>At 31 December 2009</b>	<b>5,202</b>	<b>19</b>	<b>3,256</b>	<b>8,477</b>
At 31 December 2008	5,623	—	4,729	<b>10,352</b>

Land and buildings situated at 28 to 32 La Motte Street, St Helier, Jersey has been purchased for the Social Security Fund with title to this property registered in the names of the "Attorney General and Greffier of the States on behalf of the Public of the Island".

In respect of the fixtures and fittings, additions consisted of £22,000 for office equipment.

During 2006, the property known as Huguenot House, which had previously been accounted for as Investment Property, was reclassified into Land and Buildings. This property was transferred at the current carrying value of £1.4 million which was deemed to be an appropriate cost. Depreciation is then charged on this deemed cost over the remaining useful life of the building.

### 8 DEBTORS

	2009 £000	2008 £000
Trade debtors:		
Contributors - individuals and employers	<b>36,515</b>	31,896
Health Insurance Fund	—	623
Beneficiaries paid in advance	<b>6,620</b>	6,548
Prepayments in respect of benefits paid and services provided as agent	<b>628</b>	2,391
Jersey Post - funds held for the payment of Pension Order books	<b>134</b>	197
Bank interest and other income	<b>1</b>	11
Amounts due from the Treasurer of the States in respect of supplementation, benefits paid and services provided as an agent	—	20
Goods and Services Tax	<b>16</b>	31
Other debtors	<b>317</b>	179
	<b>44,231</b>	41,896

## Social Security Fund

### Notes to the Financial Statements for the year ended 31 December 2009

#### 8 DEBTORS (continued)

The Minister considers that the carrying amount of the trade debtors approximates to their fair value.

- (a) Contributions are due from smaller organisations (less than 80 employees) and employers for the fourth quarter.  
 (b) As at 31 December the Fund included a bad debt provision, 2009: £61,011 (2008: £24,780). During the year, bad debts of, 2009: £10,922 (2008: £13,347) were written off.

	2009 £000	2008 £000
Up to 3 months past due	35	1
3 to 6 months past due	5	—
6 to 12 months past due	5	—
Over 12 months past due	16	24
	<b>61</b>	25

As at 31 December, trade debtors of carrying value, 2009: £44.2 million (2008: £41.9 million) were past their due date but not impaired. The ageing is shown below:

	2009 £000	2008 £000
Up to 3 months past due	41,969	40,977
3 to 6 months past due	985	5
6 to 12 months past due	275	—
Over 12 months past due	1,002	914
	<b>44,231</b>	41,896

#### 9 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2009 £000	2008 £000
Funds uncleared at bank and cash floats	1,750	2,442
Loan payable: Health Insurance Fund	2,089	—
Trade creditors:		
Amounts due to the Treasurer of the States in respect of benefits paid and services provided as an agent	—	2,562
Amounts payable to the Treasurer of the States in respect of benefits paid and services provided as an agent	19	20
Benefits payable	281	427
Capital expenditure	—	33
Other creditors	212	322
	<b>4,351</b>	5,806

## Social Security Fund

### Notes to the Financial Statements for the year ended 31 December 2009

#### 9 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR (continued)

The Minister considers that the carrying amount of the trade creditors approximates to their fair value. The loan payable to the Health Insurance Fund is unsecured, interest free and repayable on demand.

##### MATURITY OF FINANCIAL LIABILITIES:

The maturity profile of the carrying amount of the Fund's liabilities, as at 31 December was as follows:

	Other financial liabilities £000	2009 £000	2008 £000
Up to 3 months past due	4,351	4,351	5,805
3 to 6 months past due	—	—	1
6 to 12 months past due	—	—	—
Over 12 months past due	—	—	—
	<b>4,351</b>	<b>4,351</b>	5,806

#### 10 REVALUATION RESERVES

This relates to the revaluation of Huguenot House, an investment property, in 2002 by professional valuers in accordance with the Royal Institute of Chartered Surveyors (RICS) appraisal and valuation manual (the 'red book'). During 2006, this property was vacated, allowing the Department to utilise the property for its own operations. The property is no longer an investment property under Statement of Standard Accounting Practice 19 and is recorded as an asset held for use for Departmental operations and depreciated accordingly.

	2009 £000	2008 £000
As at 1 January and 31 December	719	719

#### 11 REVENUE RESERVES

	2009 £000	2008 £000
As at 1 January	69,907	68,628
Surplus funds transferred to Social Security (Reserve) Fund	(38,585)	(35,120)
Retained surplus for the year	37,354	35,888
Reimbursement of expenses due to Social Security (Reserve) Fund	538	511
As at 31 December	<b>69,214</b>	69,907

#### 12 RELATED PARTY TRANSACTIONS

##### JERSEY POST INTERNATIONAL LIMITED

The Fund has the following commercial, arm's length relationships with Jersey Post International Limited, which is a strategic investment of the States:

The States of Jersey hold all the ordinary shares in Jersey Post International Limited which became incorporated on 1 July 2006.

## Social Security Fund

### Notes to the Financial Statements for the year ended 31 December 2009

#### 12 RELATED PARTY TRANSACTIONS (continued)

The Fund pays Jersey Post International Limited for the beneficiaries who hold a pension order book or cash open cheque benefit payments. For this service Jersey Post International Limited receives an administration fee as noted in the table below.

#### STATES OF JERSEY TREASURY AND RESOURCES AND OTHER STATES DEPARTMENTS

The Fund also undertakes a number of transactions and joint undertakings with States of Jersey Treasury and Resources and other States Departments as noted in the table below.

Payments made in the year to 31 December to these related parties are shown below:

	<b>2009</b>	2008
	<b>£000</b>	£000
Jersey Post International Limited	<b>272</b>	220
Jersey Telecom Group Limited	<b>6</b>	4
Jersey Electricity Company Limited	<b>50</b>	45
States of Jersey Treasury and Resources and other States Departments	<b>220</b>	238
	<b>548</b>	507

Management and control of the Fund resides with the Minister for Social Security. Ownership of the Fund resides with the contributors and beneficiaries on a mutual basis.

The Fund receives income (States' contribution) from the States of Jersey to supplement the contributions of earners who fall below the earnings ceiling but above the lower earnings threshold 2009: £64,995,170 (2008: £61,842,397).

Staff employed by the States of Jersey who administer the Social Security Fund are also involved with the administration of States Funded Benefits and services related to employment. Where this administration is undertaken on premises owned by the Fund, a rental charge for the use of the premises is levied to the States of Jersey which in 2009 amounted to £90,300 (2008: £90,300).

Related Party transactions for the year ended 31 December are analysed below:

	<b>2009</b>	2008
	<b>£000</b>	£000
States Funded Benefits	<b>88,148</b>	78,518
Services Related to Employment	<b>3,106</b>	2,678
	<b>91,254</b>	81,196

Full details of all States Funded benefits and services administered by the Social Security Department can be found in the States of Jersey "Financial Report and Accounts 2009". Copies of the report will be available from the States Greffe.

## Social Security Fund

### Notes to the Financial Statements for the year ended 31 December 2009

#### 12 RELATED PARTY TRANSACTIONS (continued)

##### RELATED PARTY BALANCES AT THE YEAR END:

	2009 £000	2008 £000
Amounts due to related parties:		
Treasurer of the States	628	2,582
Jersey Post International Limited	14	25
Jersey Telecom Group Limited	1	—
Jersey Electricity Company Limited	6	—
	<b>649</b>	2,607
Amounts due from related parties:		
Treasurer of the States	16	51
Jersey Post International Limited	134	197
	<b>150</b>	248

The Health Insurance Fund does not operate a bank account, other than certificates of deposit. Consequently all receipts and payments in relation to the Health Insurance Fund are made through nominated Social Security Fund bank accounts due to their relationship in respect of social security contributions and then reallocated to the loan accounts as appropriate.

During the year the Social Security Department made net payments from its bank accounts, of which the Social Security Fund is part, to the Health Insurance Fund, which in 2009 amounted to £2.716m (2008: £6.730m). At the year end the Health Insurance Fund was owed, 2009: £2.089m (2008: owed £0.624m).

The Social Security (Reserve) Fund is the investment vehicle by which contribution rate and ceiling changes are smoothed over time. The accounting officer of the Social Security (Reserve) Fund is the Treasurer of the States. Payments made in the year from the Fund were, 2009: £38.6m (2008: £35.1m); additionally the Social Security (Reserve) Fund appropriated from the Fund, 2009: £0.538m (2008: £0.511m from the Fund).

#### 13 RECONCILIATION OF SURPLUS TO NET CASH FLOW

	2009 £000	2008 £000
Surplus of income over expenditure for the year	37,354	35,888
Net expenditure appropriated from		
Social Security (Reserve) Fund	537	511
Depreciation	1,906	1,906
Increase in debtors	(2,330)	(5,488)
Decrease in creditors	(721)	(5,707)
Bank interest	(158)	(1,878)
Rent	(170)	(120)
	<b>36,418</b>	25,112



## Social Security Fund

Notes to the Financial Statements for the year ended 31 December 2009

### 14 ANALYSIS OF CHANGES IN NET FUNDS

	At 31 December 2008 £000	Cash Flows £000	At 31 December 2009 £000
Cash at bank	3,384	(1,308)	<b>2,076</b>
Funds uncleared at bank	(2,442)	715	<b>(1,727)</b>
	942	(593)	<b>349</b>
Liquid resources	20,800	(1,300)	<b>19,500</b>
<b>Net funds</b>	21,742	(1,893)	<b>19,849</b>

### 15 ULTIMATE CONTROLLING PARTY

Under the Social Security (Jersey) Law, 1974 the Minister of Social Security is the ultimate controlling party of the Fund. The Minister of Social Security is a member of the Council of Ministers of the States of Jersey and is responsible for safeguarding the assets of the Fund and for preparing the financial statements.



## Social Security (Reserve) Fund

### Statement of Total Return for the year ended 31 December 2009

	Notes	2009 £000	2008 £000
<b>Income</b>			
Net gains/(losses) on investments during the year	6	107,294	(109,746)
Investment income	7	(11)	2
Bank interest	7	—	1
<b>Expenditure</b>			
Supplies and Services	8	(526)	(514)
Net Expenditure		(537)	(511)
<b>Total return</b>		<b>106,757</b>	<b>(110,257)</b>
<b>Appropriated from Social Security Fund</b>		<b>537</b>	<b>511</b>
<b>Total return after appropriation from Social Security Fund</b>		<b>107,294</b>	<b>(109,746)</b>

### Statement of changes in Net Assets for the year ended 31 December 2009

	Notes	2009 £000	2008 £000
<b>Net assets at the start of the year</b>		<b>566,547</b>	<b>641,684</b>
Change in net assets before appropriation from Social Security Fund		106,757	(110,257)
Funds received from the Social Security Fund	13	38,585	35,120
<b>Net assets at the end of the year</b>		<b>711,889</b>	<b>566,547</b>

THE NOTES ON PAGES 38 TO 47 FORM AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

## Social Security (Reserve) Fund

Portfolio Statement as at 31 December 2009

	Holding Units	Market Value 31-Dec-09 £000	Percentage of Total Net Assets %
<b>Unit Trust Bonds</b>			
Overseas bond index	0	—	0.00
All stock gilts index	9,000,878	33,230	4.67
		33,230	4.67
<b>Unit Trust Equities</b>			
UK equity index	40,030,523	260,632	36.61
North America equity	19,896,099	130,397	18.32
Europe equity index	11,403,289	87,543	12.30
Money market	41,246,922	55,054	7.73
Liquidity Fund	102,532,812	107,836	15.15
Japan equity index	28,710,692	24,209	3.40
Asia Pacific (ex-Japan) development equity index	1,555,372	13,013	1.83
		678,684	95.34
Portfolio of investments		711,914	100.01
Net current assets/(liabilities)		(25)	(0.01)
<b>Net assets</b>		<b>711,889</b>	<b>100</b>

Comparatives are not disclosed in accordance with the Statement of Recommended Practice – Financial Statements of Authorised Funds.

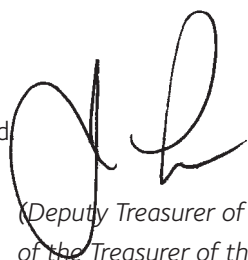
THE NOTES ON PAGES 38 TO 47 FORM AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

## Social Security (Reserve) Fund

Balance Sheet as at 31 December 2009

	Notes	2009		2008	
		£000	£000	£000	£000
<b>Fixed Assets</b>					
Financial assets at fair value	9		711,914		566,621
<b>Current Assets</b>					
Account receivables	11	—		11	
Cash at bank		166		43	
		166		54	
<b>Current Liabilities</b>					
Account payables: amounts falling due within one year	12	155		128	
Cash Advanced from the States of Jersey Consolidated Fund		36		—	
		191		128	
<b>Net Current Liabilities</b>			(25)		(74)
<b>Net Assets</b>			711,889		566,547
<b>Represented by:</b>					
<b>Net Assets attributable to the Fund</b>			711,889		566,547

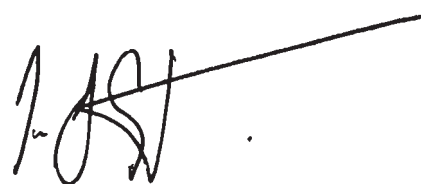
Signed:



(Deputy Treasurer of the States on behalf of the Treasurer of the States)

Date: 13 August 2010

Signed:



(Minister for Social Security)

Date: 13 August 2010

THE NOTES ON PAGES 38 TO 47 FORM AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

## Social Security (Reserve) Fund

Summary of material portfolio changes for the year ended 31 December 2009

Major purchases Name	Holding Units	Cost £000
Legal & General WR-Money Market Maturity II	43,055,216	56,673
Legal & General TA Liquidity Fund	14,268,456	15,000
Legal & General TA Liquidity Fund	14,038,455	14,746
Legal & General TA Liquidity Fund	12,707,469	13,321
Legal & General TA Liquidity Fund	12,403,870	13,000
Legal & General TA Liquidity Fund	9,992,010	10,496
Legal & General TA Liquidity Fund	9,535,306	10,016
Legal & General AR Cash	9,535,306	10,000
Legal & General TA Liquidity Fund	9,467,929	9,945
Legal & General North America Equity (Net US)	952,154	5,803
Legal & General TA Liquidity Fund	4,859,768	5,103
Legal & General N UK Equity Index	1,081,268	4,982
Legal & General TA Liquidity Fund	3,619,875	3,800
Legal & General TA Liquidity Fund	3,527,337	3,700
Legal & General All Stocks Gilt Index	808,478	3,047
Legal & General TA Liquidity Fund	2,853,257	3,000
Legal & General TA Liquidity Fund	2,137,262	2,246
Legal & General 2151 PMC Money Market Fund	1,705,947	2,092
Legal & General North America Equity (Net US)	328,507	1,805
Legal & General 2151 PMC Money Market Fund	1,462,962	1,794
All other purchases		12,681
<b>Total purchases for the year</b>		<b>203,250</b>

Major sales Name	Holding Units	Proceeds £000
Legal & General 2151 PMC Money Market Fund	43,055,216	56,673
Legal & General N UK Equity Index	2,333,268	14,746
Legal & General Overseas Bond Index	6,231,279	13,321
Legal & General Overseas Bond Index	6,086,171	13,000
Legal & General North America Equity (Net US)	1,671,967	10,496
Legal & General AR Cash	9,535,306	10,016
Legal & General Europe (Ex-UK) Equity Index	1,279,985	9,945
Legal & General N UK Equity Index	955,717	5,803
Legal & General 2151 PMC Money Market Fund	3,876,841	5,103
Legal & General N UK Equity Index	625,805	3,800
Legal & General N UK Equity Index	501,857	3,047
Legal & General WR-Money Market Maturity II	1,688,468	2,246
Legal & General Europe (Ex-UK) Equity Index	335,392	2,092
Legal & General Asia Pacific ex Japan Dev Equity Index	273,830	1,805
Legal & General North America Equity (Net US)	327,956	1,794
Legal & General N UK Equity Index	232,447	1,416
Legal & General N UK Equity Index	222,325	1,350
Legal & General Asia Pacific ex Japan Dev Equity Index	154,820	1,273
Legal & General N UK Equity Index	240,974	1,230
Legal & General N UK Equity Index	170,529	870
All other sales		5,225
<b>Total sales for the year</b>		<b>165,251</b>

THE NOTES ON PAGES 38 TO 47 FORM AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

# Social Security (Reserve) Fund

Notes to the Financial Statements for the year ended 31 December 2009

## 1 GENERAL INTRODUCTION

### FUND PURPOSE

The number of recipients of a State pension as a percentage of the working population is expected to increase over time. The purpose of the Social Security Reserve Fund (the "Reserve Fund") is to build up a reserve for the future provision of pension benefits for those in employment so as to reduce the impact of pensions in future generations, as well as to smooth contributions for social security benefits over time. To achieve these objectives, the Reserve Fund's assets and liabilities comprise financial instruments held in accordance with its investment objectives and policies. These include cash, liquid resources and short term debtors and creditors that arise directly from the investment activities.

### STRATEGY

Excess funds held in the Social Security Fund are transferred to the Reserve Fund for investment on a quarterly basis. A high income yield is not a requirement of the investment policy of the Reserve Fund. It is expected that there will be no requirement to draw on the assets of the Reserve Fund for the next decade and during this period there will be net inflows to the Reserve Fund. The fund has not entered into any hedging contracts over the year.

As the Reserve Fund is expected to be in a net inflow position for the next decade, a high proportion of the assets have been placed in return seeking investments in order to maximise the longer term value of the Reserve Fund. Since the Reserve Fund is effectively a buffer to deal with the longer term funding of pensions, there are no requirements for controlling volatility in asset values from year to year. This means that the need for risk reducing assets can be minimised.

### INVESTMENT OBJECTIVES

The current investment objectives of the Reserve Fund are:

- (a) to meet the strategy set out above, which was implemented in 2009, using the benchmark set out below. The distribution of the fund is maintained within its control ranges by the application of the cash flows and where necessary switches between the investment sector funds. The position as at 31 December 2009 is set out below with the fund operating within its strategic ranges:

	Actual %	Legal and General's Benchmark %	Ranges %
<b>Total Equities</b>	<b>75.5</b>	<b>75.00</b>	<b>72.00 - 78.00</b>
UK Equity Index	38.2	37.50	35.00 - 40.00
North America Equity Index	19.1	18.75	16.75 - 20.75
Europe Equity Index	12.8	13.12	11.62 - 14.62
Japan Equity Index	3.5	3.75	3.25 - 4.25
Asia Pacific Developed Equity Index	1.9	1.88	1.68 - 2.08
<b>Total Cash/Bonds</b>	<b>24.5</b>	<b>25.00</b>	<b>22.00 - 28.00</b>
All Stocks Index			
Overseas Bond Index			
Money Market			
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	

The Reserve Fund's assets are managed by investing in the Legal and General's pooled funds.

# Social Security (Reserve) Fund

## Notes to the Financial Statements for the year ended 31 December 2009

### 1 GENERAL INTRODUCTION (continued)

- (b) apart from the money market fund, to track the total return of the relevant market index, within specified tolerances and after allowances for withholding tax where applicable, for each of the sector funds in which the Reserve Fund is invested.

#### PERFORMANCE MANAGEMENT

The Accounting Officer of the Reserve Fund is the Treasurer of the States. The Minister for Treasury and Resources oversees the performance of the Reserve Fund, supported by a Committee chaired by the Minister and which is attended by the Minister for Social Security. The Committee meets every three months and Legal and General Investment Management Limited (L&G) (the 'Investment Manager') presents to the Minister half yearly. Investment Strategy is reviewed annually. Hewitt Associates Limited, investment adviser, attend the performance meetings and provide advice where appropriate. The Minister for Treasury and Resource consults with the Minister for Social Security for decisions affecting matters such as changes to investment strategies.

The assets of the Reserve Fund are held with a global custodian, Northern Trust. This results in a complete separation of the custody of the invested assets and the investment management arrangements.

#### FUND PERFORMANCE

Performance of the Reserve Fund over the last 12 months and the last 3 years is as follows:

Investment Sector	12 Months		3 Years	
	Fund %	Deviation %	Fund %	Deviation %
UK Equity Index	30.8	0.7	(1.1)	0.2
North America Equity Index	14.6	0.2	1.6	0.3
Europe Equity Index	19.8	0.4	1.9	0.5
Japan Equity Index	(5.6)	0.3	(4.1)	0.5
Asia Pacific Developed Equity Index	51.8	1.1	12.4	0.8
All Stocks Index	(1.1)	0.1	5.5	0.0
Overseas Bond Index	n/a	n/a	n/a	n/a
Money Market Maturity II Liquidity	8.1	7.5	n/a	n/a
Cash	n/a	n/a	n/a	n/a
Liquidity Fund	n/a	n/a	n/a	n/a

The benchmark returns, which assume monthly rebalancing, are based on the Fund's central distribution and the index returns for each investment sector. Deviations between the benchmark and Fund returns reflect the rules governing the rebalancing of the Fund and the accuracy of the tracking of index funds.



## Social Security (Reserve) Fund

### Notes to the Financial Statements for the year ended 31 December 2009

#### 2 ACCOUNTING POLICIES

##### 2.1 BASIS OF PREPARATION

The accounts are prepared on the historical cost convention, in accordance with UK GAAP, as modified by the revaluation of financial assets at fair value and in accordance with the Statement of Recommended Practice – Financial Statements of Authorised Funds issued by the Investment Management Association dated December 2005 (the “SORP”), so far as they are applicable to these accounts. In the absence of any detailed guidance on the required format of accounts we have referred to the UK Government’s Financial Reporting Manual for Government entities. The Manual considers the question of accounting for specialised funds and requires that their presentation is agreed on a case by case basis with the relevant authority, which under the Social Security (Jersey) Law 1974 is the Minister for Social Security. The Minister considers that the format contained within these accounts is the most appropriate to the circumstances of the Reserve Fund.

The preparation of accounts in conformity with UK GAAP requires the use of certain critical accounting estimates. It also requires the Minister to exercise his judgement in the process of applying the Reserve Fund’s accounting policies.

A summary of the more important policies are set out below together with an explanation of the changes which have been made to previous policies on adoption of new accounting standards.

##### 2.2 FOREIGN CURRENCY TRANSLATION

###### (a) *Functional and presentation currency*

The primary activity of the Reserve Fund is to invest in unit trusts for the long-term to build up a reserve for the future provision of pension benefits for those currently in employment. The performance of the Reserve Fund is measured and reported to the Minister for Treasury and Resources in sterling. The Minister considers sterling as the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions. The financial statements are presented in sterling, which is the Reserve Fund’s functional and presentation currency.

###### (b) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Total Return. Translation differences on non-monetary financial assets and liabilities such as equities at fair value through profit or loss are recognised in the income statement within the fair value net gain or loss.

##### 2.3 INCOME

###### (a) *Investment income*

Investment income consists of income from fixed interest securities, dividends and bank interest. Income from fixed interest securities and bank interest are accrued to the year end. Dividends from other quoted securities are accrued when the securities are quoted ex-dividend.

Investment income is reported net of attributable tax credits but gross of withholding taxes which are accrued in line with the associated investment income.

###### (b) *Bank Interest Received*

Interest income is accrued on a time basis, by reference to the principal outstanding and the interest rate.

## Social Security (Reserve) Fund

### Notes to the Financial Statements for the year ended 31 December 2009

#### 2 ACCOUNTING POLICIES (continued)

##### 2.4 ACCRUED INTEREST

Accrued interest is recognised initially at fair value.

##### 2.5 INVESTMENTS

The investments of the Reserve Fund are held under a pooled fund policy. The terms of the policy allows the units within the portfolio (as set out under note 9) to be realised on any dealing day through transfer of cash to the Reserve Fund or liquidated in whole and the surrender value returned in equities. The Minister has considered the substance of these investments and given the nature of the policy, considers it appropriate that these are recognised as an investment within the financial statements. Sales, purchases and switches in the units of the pooled fund have been disclosed within these accounts.

Sales and Purchases of investments are recognised on their trade date, the date on which the Reserve Fund commits to purchase or sell the investment. Purchases are recognised at the market value of the consideration paid. Sales are recognised on the settlement date and proceeds are calculated using the market value of the investment on that date. The profit or loss of units sold is calculated based on the market value of the consideration on the trade date compared with the average cost of the units, which is calculated by aggregating the historic transactions within the pooled funds. Any profit or loss resulting from this transaction is recognised within the Statement of Total Return.

The valuation of the investment units held in the pooled funds is based on the closing bid market prices of the units as confirmed by valuations received from the Investment Manager.

##### 2.6 CASH AT BANK AND IN HAND

Cash at bank and in hand includes cash, demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

##### 2.7 ACCRUED EXPENSES

Accrued expenses are recognised initially at fair value.

##### 2.8 EXPENSES

###### (a) *Investment management and custodian fees*

Investment management and custodian fees include brokers commission, registration fees, stamp duties, security exchange fees and levies from regulatory agencies and commissions to advisers.

Costs due but not paid by the end of the financial year are accrued.

###### (b) *Irrecoverable withholding tax*

Irrecoverable withholding taxes from overseas dividends are reported separately as an expense.

###### (c) *Other expenses*

Other expenses include service and operating costs and consist of audit fees, custodian fees, recharges from the States of Jersey, Treasury & Resources Department and costs of exchange rate transfers.

##### 2.9 TAXATION

The Reserve Fund is exempt from Jersey income tax by virtue of Article 131 of the Income Tax (Jersey) Law 1961.

##### 2.10 CASH FLOW STATEMENT

The Reserve Fund satisfies the criteria of an open ended investment fund and is therefore exempt from producing a cash flow statement as required by FRS 1, 'Cash flow statements (revised 1996)'.

## Social Security (Reserve) Fund

### Notes to the Financial Statements for the year ended 31 December 2009

#### 3 FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Financial assets and financial liabilities are recognised on the Reserve Fund's balance sheet when the Reserve Fund becomes a party to the contractual provision of the instrument. A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. The Reserve Fund derecognises its financial assets when the contractual rights to the cash flows from the financial asset expire. The Reserve Fund derecognises its financial liabilities when the obligation specified in the contract is discharged or cancelled or expires.

##### **Investments**

###### *(a) Classification*

The Reserve Fund classifies its investments in equity securities as financial assets at fair value through profit or loss ('Financial Assets'). On adoption of FRS 26, the Minister designated the financial assets at fair value through profit or loss at inception as the portfolio is managed and its performance is evaluated on a fair value basis, in accordance with the Reserve Fund's documented investment strategy. The Reserve Fund's policy is for the Investment Manager and the Minister to evaluate the information and performance about these financial assets on a fair value basis together with other related financial information.

###### *(b) Recognition*

Purchases and sales of investments are recognised on the trade date, the date on which the Reserve Fund commits to purchase or sell the investment.

###### *(c) Measurement*

Financial assets and financial liabilities at fair value through profit or loss are initially recognised at fair value. Transaction costs are expensed in the income statement. Subsequent to initial recognition, all financial assets and financial liabilities at fair value through profit or loss are measured at fair value. Gains and losses arising from changes in the fair value of the 'financial assets or financial liabilities at fair value through profit or loss' category are presented in the income statement in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the income statement within investment income when the Reserve Fund's right to receive payments is established. Specifically, dividend income is accrued on securities when they are quoted ex-dividend.

###### *(d) Fair value estimation*

The valuation of investments held at the year end is based on bid-price.

The valuation of the investments in the pooled funds is based on the closing bid market prices of the units as confirmed by valuations received from the Investment Manager. These valuations are based on the bid prices of the underlying investments held by the Investment Manager in the pooled funds.

Transaction costs, being incremental costs that are directly attributable to the acquisition or disposal of an investment, are added to purchase costs and netted against sale proceeds as appropriate.

##### **Other Assets and Liabilities**

The Reserve Fund classifies its debtors and cash at bank as 'Loans and Receivables'. The financial liabilities are classified as 'Other financial liabilities'.

##### **Accrued interest**

Accrued interest is measured at initial recognition at fair value.

##### **Cash at Bank**

Cash at bank and in hand includes cash, demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

##### **Accrued expenses**

Accrued expenses are measured at initial recognition at fair value.

# Social Security (Reserve) Fund

## Notes to the Financial Statements for the year ended 31 December 2009

### 4 FINANCIAL RISK MANAGEMENT

#### Financial Risk Factors

The Reserve Fund's activities expose it to a variety of financial risks: market risk (including currency risk; fair value interest rate risk; cash flow interest risk and price risk), credit risk and liquidity risk. The Reserve Fund's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Reserve Fund's financial performance.

Risk management is carried out by the Minister for Treasury and Resources, supported by a Committee, chaired by the Minister for Treasury and Resources, which is attended by the Minister for Social Security. The Committee meets every three months and L&G presents to the Minister half yearly to oversee the performance of the Reserve Fund. Hewitt Associates Limited, investment adviser, attends the performance meetings and provides advice where appropriate.

The assets of the Reserve Fund are held with a global custodian, Northern Trust.

#### (a) Market Risk

The underlying investments of the pooled funds are principally equities, fixed interest securities and bank deposits. The value of these is not fixed (other than bank deposits) and may go down as well as up. This may be the result of a specific factor affecting the value of an individual stock or may be caused by general market factors (such as interest rates, government policy or the health of the underlying economy) which could affect the entire portfolio of a fund. The Reserve Fund Investment Manager monitors the overall portfolio to minimise fluctuation in the fair value of the financial assets held and ensures the necessary policies and procedures are in place to manage the risk.

#### (i) Foreign exchange risk

The Reserve Fund purchases units in pooled funds some of which contain securities denominated in a currency other than sterling and hence takes a position in other currencies. A substantial portion of the underlying financial assets of the pooled funds is denominated in currencies other than sterling with the effect that the balance sheet and total return can be significantly affected by currency movements. The Reserve Fund Investment Manager monitors the exchange rate risk to limit the level of foreign exchange exposure and ensures the necessary policies and procedures are in place to manage it.

#### (ii) Fair value interest rate risk

The pooled fund units accumulate income within their unit price and do not distribute the income. This is negligible risk to the Reserve Fund in terms of fair value interest rate risk.

#### (iii) Price risk

The Reserve Fund is exposed to equity securities price risk as a result of pooled fund units held and classified on its balance sheet at fair value through profit or loss. To manage its price risk arising from investments in equity securities, it diversifies its portfolio between various different pooled funds. The setting of the investment strategy has regard to the relative pricing of asset classes and the available investment opportunities. The relative prices of asset classes can vary substantially within each year and therefore the strategy has been designed to be flexible to adapt to changing market conditions. The investment in equities have been equally divided between UK and overseas equities in the Reserve Fund so as to not be too highly dependent on the UK economy.

There is no direct exposure to commodity price risk.

## Social Security (Reserve) Fund

Notes to the Financial Statements for the year ended 31 December 2009

### 4 FINANCIAL RISK MANAGEMENT (continued)

#### (b) Credit risk

Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions. For banks and financial institutions, only independently rated parties with a minimum rating of 'A-' are accepted.

Separate risk assessment has been undertaken in respect of the assets which are under the control of L&G. L&G is the largest manager of UK pension fund assets with a total of £208 billion invested in indexed assets and £182 billion in indexed corporate pension assets. In total they manage 2,993 pension fund clients. The ultimate holding company of L&G is Legal & General Group plc. The Minister therefore considers the exposure to credit risk is minimal.

#### (c) Liquidity risk

The Reserve Fund is a long term investor that does not require its assets to be readily available. Liquidity is not a key component of the investment strategy except that the holding of liquid assets enables changes in strategy to be made easily. The Investment Manager manages the Reserve Fund's cash to meet its liabilities.

Prudent liquidity risk management includes maintaining sufficient cash to ensure future liabilities are met as and when required. Sufficient funds are transferred from the Social Security Fund on a quarterly basis to meet the investment management and custodian fees and any other expenses.

All the liabilities are payable on demand or in less than one year.

### 5 CAPITAL RISK MANAGEMENT

The Reserve Fund's objectives when managing capital are to safeguard the Reserve Fund's ability to continue as a going concern in order to provide future benefits. The Minister for Treasury and Resources considers that there is no capital risk as the Reserve Fund does not have any debt.

### 6 NET GAINS/(LOSSES) ON INVESTMENTS

	2009 £000	2008 £000
<b>The net gains/(losses) on investments during the year comprise:</b>		
Proceeds from sales of investments during the year	165,251	41,448
Original cost of investments sold during the year	(146,034)	(36,933)
Gains realised on investments sold during the year	19,217	4,515
Net appreciation/(depreciation) thereon already recognised in earlier periods	7,376	(106,885)
Net realised appreciation/(depreciation) for the year	26,593	(102,370)
Net unrealised appreciation/(depreciation) for the year	80,701	(7,376)
<b>Net gains/(losses) on investments</b>	<b>107,294</b>	<b>(109,746)</b>

### 7 INCOME

	2009 £000	2008 £000
Overseas dividends	(11)	2
Bank interest	—	1
<b>Total income</b>	<b>(11)</b>	<b>3</b>

Income accrued and due in 2008 of £11,158.59 for a tax reclaim which was later reversed in 2009 by the Custodian and therefore never received.

## Social Security (Reserve) Fund

Notes to the Financial Statements for the year ended 31 December 2009

### 8 SUPPLIES AND SERVICES

	2009 £000	2008 £000
Administrative Recharges	36	25
Investment Advisory Fees	19	17
Audit Fees	18	14
<b>Custodian Fees:</b>		
The Northern Trust Corporation	8	9
<b>Investment Management Fees:</b>		
Legal and General Investment Management Limited	445	449
<b>Total Supplies and Services</b>	<b>526</b>	514

### 9 INVESTMENTS

Movements in the investments during the year are detailed below:

	Value at 01-Jan-09 £000	Purchases at Cost £000	Proceeds of Sales £000	Changes in market value £000	Value at 31-Dec-09 £000
<b>Unit Trusts</b>					
<b>Unit Trust Bonds</b>					
Global	30,216	—	26,321	(3,895)	—
United Kingdom	29,110	4,500	—	(380)	<b>33,230</b>
	59,326	4,500	26,321	(4,275)	<b>33,230</b>
<b>Unit Trust Equities</b>					
United Kingdom	272,204	120,152	97,376	73,488	<b>368,468</b>
Other Europe	84,494	—	13,150	16,199	<b>87,543</b>
North America	115,677	9,925	12,321	17,116	<b>130,397</b>
Japan	23,569	2,000	—	(1,360)	<b>24,209</b>
Pacific Basin, excluding Japan	11,351	—	3,662	5,324	<b>13,013</b>
	507,295	132,077	126,509	110,767	<b>623,630</b>
<b>Cash</b>	—	66,673	12,421	802	<b>55,054</b>
	566,621	203,250	165,251	107,294	<b>711,914</b>

Indirect costs including the bid offer spread costs on pooled funds have been added to the purchase cost or deducted from sale proceeds as appropriate. There were no transaction costs incurred on the purchase and sale of non pooled fund investments as none are held.

### 10 INVESTMENT TRANSACTION

As the investments are classified as fair value through profit or loss, the movements have been recognised within the Statement of Total Return under "net gains/(losses) on investments during the year".

## Social Security (Reserve) Fund

Notes to the Financial Statements for the year ended 31 December 2009

### 11 ACCOUNT RECEIVABLES

	2009 £000	2008 £000
Accrued interest	—	11
	—	11

The Minister considers that the carrying amount of the accrued interest approximates to its fair value and that no account receivables are impaired or past their due date.

The ageing of the account receivables is within 3 months.

### 12 ACCOUNT PAYABLES: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2009 £000	2008 £000
Audit fee	18	18
Investment advisory fee	6	5
Custody fee	2	2
Management fee	129	103
	155	128

The Minister considers that the carrying amount of the accrued expenses approximates to their fair value.

All the Reserve Funds liabilities are 'other financial liabilities' and are payable in less than one year and given their nature a maturity analysis is not considered to be necessary.

### 13 TRANSFERS FROM THE SOCIAL SECURITY FUND

	2009 £000	2008 £000
Investment Funds transferred from Social Security Fund during the year	38,585	35,120

In accordance with the Social Security Law (Jersey) 1974, the net revenue return on the Social Security (Reserve) Fund is transferred to the Social Security Fund at the end of the financial year.

### 14 RELATED PARTY TRANSACTIONS

The Treasurer of the States of Jersey is the Accounting Officer of the Social Security (Reserve) Fund and the Financial Statements are completed by the Treasury & Resources Department.

During the year ended 31 December 2009 an amount of £35,672 (2008: £24,942) was paid from the Reserve Fund to the Treasury Department in respect of the services provided.

No other related party transactions existed.

## Social Security (Reserve) Fund

Notes to the Financial Statements for the year ended 31 December 2009

### 15 POST BALANCE SHEET EVENTS

In accordance with FRS 21, the Minister is required to disclose non-adjusting events that are indicative of conditions that have arisen after the balance sheet date. The market value of the Reserve Fund investments at 31 December 2009 stood at £711,913,965 (refer note 9). Since that date, there have been further deposits into the pooled investments of £20,000,000. As at 30 June 2010, the market value of these investments stood at £718,804,801.

### 16 ULTIMATE CONTROLLING PARTY

The Accounting Officer of the Reserve Fund is the Treasurer of the States. The Minister for Treasury and Resources manages the performance of the Reserve Fund, supported by a Committee chaired by the Minister and which is attended by the Minister for Social Security. Under the Social Security (Jersey) Law 1974, the Minister of Social Security is responsible for reporting the financial statements of the Reserve Fund.





## Health Insurance Fund

### The Funding Principles Of The Health Insurance Fund

The Health Insurance Fund is financed on the “Pay-as-you-go” basis, with the expenditure on benefits and administration being met from current income.

Independent actuarial reviews of the scheme are undertaken every five years, the latest report being as at 31st December 2002. The next report will be for the period to 31st December 2007 and be available during 2010. The report for 2002 concluded:

- The financial position of the Fund remains sound
- The current financial objective set for the Fund is that it should represent at least one year’s expenditure
- As the population ages, benefit expenditure will increase relative to contribution income

The Fund has shown a continued improvement in its financial position, reflecting the fact that contribution income has grown more strongly than benefit expenditure. Based on the assumptions in the 2002 report, the balance in the Fund was projected to continue to grow, reaching a peak in 2012 equivalent to nearly 2½ years’ expenditure. At 31st December 2009 the Fund represented over three years benefit expenditure based on current expenditure levels. However, each year the scheme spends up to approximately three quarters of the money it collects, and any significant changes in the parameters of the scheme would result in a substantially different financial picture, along with a rapid impact on contribution levels.

Copies of the latest actuarial report are available from the States’ Greffe. The report to 31 December 2007 will be available during 2010.

## Health Insurance Fund

### Statement Of The Responsibilities Of The Minister For Social Security Of The States Of Jersey In Respect Of The Financial Statements

The Health Insurance (Jersey) Law 1967 requires that financial statements of the Health Insurance Fund shall be prepared in such form, manner and at such times as the Minister for Social Security may determine. The Minister is responsible for preparing the financial statements.

In preparing the financial statements the Minister is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable United Kingdom accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on a going concern basis unless it is inappropriate .

The Minister is responsible for keeping proper accounting records which disclose with reasonable accuracy, at any time, the financial position of the Fund.

The Minister is responsible for safeguarding the assets of the Funds and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

#### **ANNUAL REPORT**

The Annual Report is available as a publication and on a website maintained by the States of Jersey. The maintenance and integrity of the website is the responsibility of the States of Jersey. The work carried out by the auditors does not involve consideration of the maintenance and integrity of this website and accordingly, the auditors accept no responsibility for any changes that have occurred to the Annual Report since they were initially presented on the website. Visitors to the website need to be aware that legislation in Jersey governing the preparation and dissemination of financial statements may differ from legislation in their own jurisdiction.

## Health Insurance Fund

### Independent Auditor's Report To The Minister For Social Security

I have audited the financial statements of the Health Insurance Fund which comprise the income and expenditure account, the balance sheet, the cash flow statement and related notes. These financial statements have been prepared under the accounting policies set out therein.

#### Respective responsibilities of the Minister and auditors

As described in the Statement of the Minister's Responsibilities, the Minister is responsible for the preparation of the financial statements in accordance with the Health Insurance (Jersey) Law 1967.

My responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the Minister in accordance with the Health Insurance (Jersey) Law 1967 and for no other purpose. I do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by my prior consent in writing.

I report to you my opinion as to whether the financial statements give a true and fair view and have been properly prepared in accordance with the Health Insurance (Jersey) Law 1967. I also report to you if, in my opinion, the Minister's Report is not consistent with the financial statements, if the Department has not kept proper accounting records, or if I have not received all the information and explanations I require for the audit.

I have read the other information contained in the Annual Report and consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the Minister's Report and the statistical appendices.

#### Basis of audit opinion

I have conducted my audit in accordance with the International Standard on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Minister in the preparation of financial statements, and of whether the accounting policies are appropriate to the funds' circumstances, consistently applied and adequately disclosed.

I planned and performed the audit so as to obtain all the information and explanations which I consider necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements.

#### Opinion

In my opinion the financial statements give a true and fair view of the state of the Funds' affairs as at 31 December 2009 and of their transactions and cash flow for the year then ended and have been properly prepared in accordance with the Health Insurance (Jersey) Law 1967.



C Swinson OBE  
Comptroller and Auditor General  
Morier House, Halkett Place, St Helier, JE1 1DD  
13 August 2010

## Health Insurance Fund

Income and Expenditure Account for the year ended 31 December 2009

	Notes	2009 £000	2008 £000
<b>Income</b>	<b>1</b>		
Contributions		28,912	27,549
States contribution		—	125
Bank interest		294	3,138
Pharmaceutical discounts		38	158
Investment income		47	—
		<b>29,291</b>	<b>30,970</b>
<b>Expenditure</b>	<b>1</b>		
<b>Benefits</b>			
Medical		5,785	5,321
Pharmaceutical		16,485	15,379
		<b>22,270</b>	<b>20,700</b>
<b>Health Insurance Exceptions</b>			
Medical		—	83
Pharmaceutical		—	229
		<b>—</b>	<b>312</b>
<b>Gluten free food vouchers</b>		<b>154</b>	<b>142</b>
		<b>22,424</b>	<b>21,154</b>
<b>Administration Expenses</b>			
Staff costs	4	565	517
Other administrative expenses		924	636
		<b>1,489</b>	<b>1,153</b>
		<b>23,913</b>	<b>22,307</b>
<b>Surplus of income over expenditure for the year</b>		<b>5,378</b>	<b>8,663</b>

### CONTINUING OPERATIONS

All of the fund's income and expenditure is derived from continuing activities.

THE NOTES ON PAGES 56 TO 67 FORM AN INTEGRAL PART OF THESE STATEMENTS.

## Health Insurance Fund

### Statement of Total Recognised Gains and Losses as at 31 December 2009

The net gains / (losses) on investments during the year comprise:

	<b>2009</b> <b>£000</b>	2008 £000
Proceeds from sales of investments during the year	<b>2,000</b>	—
<b>Original cost of investments sold during the year</b>	<b>(2,000)</b>	—
Gains/(losses) realised on investments sold during the year	—	—
<b>Net realised appreciation for the year</b>	<b>47</b>	—
<b>Net gains on investments</b>	<b>47</b>	—

THE NOTES ON PAGES 56 TO 67 FORM AN INTEGRAL PART OF THESE STATEMENTS.

## Health Insurance Fund

Balance Sheet as at 31 December 2009

	Notes	2009 £000	2008 £000
<b>Current assets</b>			
Debtors	6	9,153	6,339
Cash at bank and in hand		70,047	68,000
		<b>79,200</b>	74,339
<b>Creditors: amounts falling due within one year</b>	7	1,724	2,241
<b>Net Assets</b>		<b>77,476</b>	72,098
<b>Funds Employed</b>			
Revenue Reserves	8	77,476	72,098

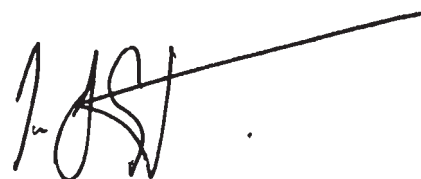
Signed:



(Chief Officer – Social Security Department)

Date: 13 August 2010

Signed:



(Minister for Social Security)

Date: 13 August 2010

THE NOTES ON PAGES 56 TO 67 FORM AN INTEGRAL PART OF THESE STATEMENTS.

## Health Insurance Fund

### Cash Flow Statement as at 31st December 2009

	Notes	2009 £000	2008 £000
<b>Operating Activities</b>			
Net cash inflow from operating activities	10	2,047	15,000
<b>Management of Liquid Resources</b>			
Increase in money held on deposit		(2,047)	(15,000)
<b>(Increase)/decrease in cash in year</b>		—	—

#### Reconciliation of net cash flow to movement in net funds

		2009 £000	2008 £000
Net cash inflow from management of liquid resources		2,047	15,000
Change in Net Funds	11	2,047	15,000
Net Funds at 1 January		68,000	53,000
<b>Net Funds at 31 December</b>		<b>70,047</b>	68,000

THE NOTES ON PAGES 56 TO 67 FORM AN INTEGRAL PART OF THESE STATEMENTS.



# Health Insurance Fund

## Notes to the Financial Statements for the year ended 31 December 2009

### 1 ACCOUNTING POLICIES

#### 1.1 BASIS OF PREPARATION

The financial statements are prepared under the historical cost convention, in accordance with UK GAAP, so far as it is applicable to these financial statements. The Minister considers that the formats adopted within these financial statements are the most appropriate to the circumstances of the Health Insurance Fund (the "Health Fund") and in accordance with the Health Insurance (Jersey) Law 1967.

The preparation of financial statements in conformity with UK GAAP requires the use of certain critical accounting estimates. It also requires the Minister to exercise his judgement in the process of applying the Health Fund's accounting policies.

A summary of the more important policies are set out below together with an explanation of any changes which have been made to previous policies on adoption of new accounting standards.

#### **UK GAAP Disclosures**

The Department has considered the disclosure requirements under UK GAAP and has adopted FRS26, 'Financial Instruments: Recognition and Measurement' and FRS 29, 'Financial Instruments Disclosure'. FRS26 requires that any investments (including those within Cash at Bank and in Hand) are carried using the bid price. FRS29 requires disclosure as to the nature and risks arising from financial instruments to which the Health Fund is exposed and how these are managed.

#### 1.2 FOREIGN CURRENCY

##### (a) *Functional and Presentation Currency*

The performance of the Health Fund is measured and reported in sterling. The Minister considers sterling as the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions. The financial statements are presented in sterling, which is the Health Fund's functional and presentation currency.

##### (b) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

#### 1.3 INCOME

Income is accounted for on an accruals basis and includes the following categories:

##### (a) *Contributions*

Contributions represent the income received from payments made by employers, employees and self-employed. Health Insurance contributions are set at the rate of 2% of earnings (Employees, 0.8%; Employers, 1.2%). The financial statements include an estimation in respect of the contributions from insured persons and employers for the year ended 31 December 2009.

##### (b) *Bank Interest Received*

Interest income is accrued on a time basis, by reference to the principal outstanding and the interest rate.

##### (c) *Pharmaceutical Discounts*

The Department has a contract with drug supplier, Nycomed Ltd, who provide a discount of 1.5% based on the level of drug expenditure.

##### (d) *Investment income*

Investment income including accrued interest consists of interest received for certificates of deposit upon maturity.

# Health Insurance Fund

## Notes to the Financial Statements for the year ended 31 December 2009

### 1 ACCOUNTING POLICIES (continued)

#### 1.4 BENEFITS

Benefits are paid to claimants who qualify for a benefit within the Health Insurance (Jersey) Law 1967 and meet the required conditions. Benefits are recognised during the period when they become due and consist of the following:

(a) *Medical*

These are payments claimed by individuals and assigned to General Practitioners for visits.

(b) *Pharmaceutical*

These are payments claimed by Pharmacists for the full cost of the prescription drugs supplied.

#### 1.5 GLUTEN FREE FOOD VOUCHERS

These are vouchers in respect of the purchase of gluten-free food because of a medical condition which needs a gluten free diet.

#### 1.6 ADMINISTRATIVE EXPENSES

Administrative expenses are accounted for on an accruals basis, with the exception of bad debts which are accounted for as set out in paragraph 1.9, and consist of the following:

(a) *Staff Costs*

Staff who work on the Fund are employed by the States Employment Board and are therefore recorded gross in the Social Security Departmental pages of the States Financial Report and Accounts. The cost of staff who work on the Fund is recharged as a service to the Fund and recorded as staff costs. These costs include salaries, wages paid to staff and pension contributions.

(b) *Other Administrative Expenses*

Other administrative expenses include service costs, operating costs and bad debts.

#### 1.7 CASH AT BANK AND IN HAND

Cash at bank and in hand includes cash, certificates of deposit and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

#### 1.8 DEBTORS

Trade debtors are measured at initial recognition at fair value and reflect contributions and services provided for which income is due as at 31 December 2009 and benefits due in 2010 which are paid in 2009. Contributions outstanding at 31 December 2009 represent contributions for the last quarter (October to December 2009), together with contributions due from earlier periods.

Outstanding contributions are estimated using historical data adjusted for any contributions received. The calculation also includes the balance of instalment arrangements outstanding and the value of the third quarter 2009 arrears due from successful civil court action along with an estimate for the last quarter 2009 civil court action.

#### 1.9 BAD DEBTS

Class 1 and Class 2 contributions are written off as follows:

Class 1: A write off is made when the employer cannot contribute on behalf of their employee by virtue of being declared en desastre or bankrupt.

Class 2: A write off is made when the individual has defaulted on an instalment arrangement and died.

An instalment arrangement is when the contributor has entered into a financial arrangement with the Department to reimburse outstanding contributions due from earlier periods.

A provision for bad debts is only made when an instalment is not received from a contributor.

Any bad debt write off is apportioned between the Social Security Fund and the Health Fund.

# Health Insurance Fund

## Notes to the Financial Statements for the year ended 31 December 2009

### 1 ACCOUNTING POLICIES (continued)

#### 1.10 PROVISION FOR LIABILITIES AND CHARGES

Provision is made in the accounts in respect of obligations arising from past events where the predicted outcome of the event is considered probable and there is a reliable estimate of the amount of the liability.

#### 1.11 LOANS RECEIVABLE

The Health Fund does not operate a bank account. Consequently all receipts and payments in relation to the Health Fund are made through nominated Social Security Fund bank accounts and then reallocated to the loan account as appropriate. The loan account is repayable on demand.

#### 1.12 TRADE CREDITORS

Trade creditors are measured at initial recognition at fair value.

#### 1.13 TAXATION

The Health Fund is exempt from Jersey Income Tax by virtue of Article 131 of the Income Tax (Jersey) Law 1961.

### 2 FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Financial assets and financial liabilities are recognised on the Health Fund's balance sheet when the Health Fund becomes a party to the contractual provisions of the instrument. A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. The Health Fund derecognises its financial assets when the contractual rights to the cash flows from the financial asset expire. The Health Fund derecognises its financial liabilities when the obligation specified in the contract is discharged, cancelled or expires.

The financial assets are classified as 'loans'. The financial liabilities are classified as 'Other financial liabilities'.

#### **Trade Debtors**

Trade debtors are measured at initial recognition at fair value.

#### **Cash at Bank**

Cash at bank and in hand includes cash, demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

#### **Trade Creditors**

Trade creditors are measured at initial recognition at fair value.

### 3 FINANCIAL RISK MANAGEMENT

The Health Fund's activities expose it to liquidity and credit risk. The Social Security Department undertakes periodic risk reviews which involve identifying key risks through scoring and their mitigation.

#### (a) *Market Price Risk*

Investments are now held by the Health Fund commencing 27 October 2009. However, these certificates of deposit are not subject to market price risk. These cash flows are primarily fixed in nature and are received from short-term highly liquid investments that are readily convertible and subject to an insignificant risk of changes in value.

#### (b) *Credit Risk*

The Health Fund's principal financial assets are trade debtors and certificates of deposit.

The Health Fund's credit risk is primarily attributable to its trade debtors. The Health Fund's objectives for managing the risk are to ensure that the trade debtors are recovered on a timely basis and that the cash at bank is secure. Where monies are not received within their payment terms they are referred to the Social Security Compliance Section for recovery. In these instances instalment arrangements are made for repayment of monies owed or court action progressed.

## Health Insurance Fund

### Notes to the Financial Statements for the year ended 31 December 2009

#### 3 FINANCIAL RISK MANAGEMENT (continued)

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies with a minimum rating of 'A' only accepted for short term deposits and 'AA' for longer term deposits (+ 3 months).

##### (c) Liquidity Risk

The Health Fund's exposure to liquidity risk is low due to the volume of cash available to meet its short-term obligations. The Health Fund's objectives for managing the risk are to ensure that there are enough liquid resources to meet short-term liabilities.

Daily cash flow forecasts are undertaken and any liquidity risk identified as part of this process is addressed by managing the amounts placed on short-term deposit. The Health Fund manages its exposure to liquidity risk by monitoring the rolling forecast of the Health Fund's liquidity reserves on the basis of the expected cash in and out flows.

##### (d) Fair value interest rate Risk

During the year, the Fund received income from its fixed bank deposits. These cash flows were primarily fixed in nature and therefore there was a potential risk of market rate movement during the fixed period. From November 2009, the Department manages its fund deposits through the States of Jersey Cash Managers 'Royal London Asset Management', negating this risk.

All liabilities are payable upon demand or in less than one year.

#### 4 STAFF COSTS

Remuneration directly associated with administering the Health Fund for the year ended 31 December, analysed by category is as follows:

	2009 £000	2008 £000
Directors	66	62
Other Employees	499	455
	<b>565</b>	517

The above costs relate to a Departmental charge to the Health Fund. During the year ending 31 December 2009, the Fund had no direct employees.

At 31 December the Social Security Department's equivalent number of budgeted full time employees (FTE) is 144 (2008: 142).

Details of the Department's employees for whom their total remuneration, including pension benefits and overtime payments exceeded £70,000 for the year ended 31 December are as follows:

	2009	2008
<b>Remuneration</b>		
£70,000 to £89,999	5	5
£90,000 to £109,999	—	—
£110,000 to £129,999	1	1

The above numbers include remuneration for the Social Security Fund, Health Insurance Fund and States of Jersey benefits - all of which are administered by the Social Security Department.

## Health Insurance Fund

### Notes to the Financial Statements for the year ended 31 December 2009

#### 4 STAFF COSTS (continued)

Staff costs include pension contributions, 2009: £64,623 (2008: £57,477) in respect of staff employed to administer the Health Fund who are members of the States of Jersey Public Employees' Contributory Retirement Scheme (PECRS). PECRS membership is compulsory for all States of Jersey permanent employees 20 years of age and over.

Contributions made to the States of Jersey Public Employees' Contributory Retirement Scheme, are charged to revenue expenditure in the period they are incurred.

#### 5 PENSION SCHEME

##### 5.1 PUBLIC EMPLOYEES' CONTRIBUTORY RETIREMENT SCHEME (PECRS)

PECRS is open to all public sector employees (excluding teachers) over 20 years of age. Membership is obligatory for all employees on a permanent contract and therefore those paid from the Health Insurance Fund.

The Scheme is managed by a Committee of Management established by the States of Jersey which has five sub-committees to investigate and report on complex technical issues.

The last published actuarial valuation of the Scheme by Hewitt Associates Limited as at 31st December 2007, dated 2 July 2009, indicated that the Scheme had an actuarial deficiency of £63.2 million at the effective date of the valuation. As at 31st December 2009, PECRS had a market value of £1,111 million (2008: £924 million). The States of Jersey contribution to the Scheme in 2009 was £33.6 million (2008: £32.5 million).

The Actuary has concluded that this deficiency will need to be dealt with in accordance with the terms of the Scheme's Regulations.

Since the Social Security Department is unable to readily identify its share of the underlying assets and liabilities of PECRS, under FRS17, contributions to the scheme will be accounted for as if they were contributions to a defined contribution scheme.

The latest actuarial valuation of the Scheme took place on 31 December 2007, and this year's FRS 17 disclosures are based on the results of this valuation.

The scheme, whilst a final salary scheme is not a conventional defined benefit scheme as the employer is not responsible for meeting any ongoing deficiency in the scheme. As a result of that limitation on the States' responsibility as employer, the scheme deficit is disclosed but not recognised in the accounts of the States of Jersey.

The States of Jersey in agreeing P190/2005 on September 2005 have confirmed responsibility for the past service liability which arose from the restructuring of the PECRS arrangements with effect from 1 January 1988. This liability amounted to £250.6 million at 31 December 2009.

Over 82 years (from 2002) the past service liability would thereby be repaid, at which point the employers' contribution rate would revert to 15.16% of members' salaries.

Copies of the latest Report and Accounts of the States of Jersey and the Public Employees' Contributory Retirement Scheme are available from the States' Greffe.

##### 5.2 ADDITIONAL INFORMATION REQUIRED BY FRS 17

PECRS is a final salary scheme but not a conventional defined benefit scheme as the employer is not responsible for meeting any ongoing deficiency in the scheme. As a result of that limitation on the States' responsibility as employer, the scheme deficit is disclosed but not recognised in the accounts.

The assumptions and methodology required under FRS 17 differ considerably from the approach that has been used by the Actuaries of PECRS in providing Actuarial Valuations, used for funding purposes. These differences in methodology combined with the time that has elapsed since the latest Actuarial Valuation mean that the FRS 17 results are different to the position revealed in the latest formal published Actuarial Valuation.

## Health Insurance Fund

### Notes to the Financial Statements for the year ended 31 December 2009

#### 5 PENSION SCHEME (continued)

The results of up to date Actuarial Valuations, rather than the results of the FRS 17 disclosures below, will be used to determine the quantum of any adjustments that may be needed to the benefits and contributions of the Fund.

Information on the scheme is presented in the accounts, reflecting the cost of the scheme to the employer. As the scheme limits the liability to the Fund, scheme surpluses or deficits are only recorded to the extent that they belong to the Funds.

The major assumptions used for the FRS 17 actuarial assessments at 31 December are:

	<b>2009</b> % pa	2008 % pa
Inflation	<b>4.0</b>	3.1
Rate of general long-term increase in salaries	<b>5.2</b>	4.4
Rate of increase to pensions in payment (weighted average over all elements)	<b>4.0</b>	3.1
Discount rate for scheme liabilities	<b>5.7</b>	6.0

The mortality assumptions used are based on the recent actual mortality experience of members within the PECRS and the assumptions also allow for future mortality improvements. The assumptions are that a member currently at the assumed retirement age of 63 will live on average for a further 24 years if they are male and for a further 26 years if they are female.

The following table reflects the financial position of PECRS, including all admitted bodies other than Jersey Telecom Group Limited and Jersey Post International Limited.

On the FRS 17 basis, the assets and liabilities of the scheme are:

	<b>Long-term rate of return expected at 31 December 2009 (% p.a.)*</b>	<b>Value at 31 December 2009 £000</b>	Long-term rate of return expected at 31 December 2008 (% p.a.)*	Value at 31 December 2008 £000
Equities	<b>8.3</b>	<b>744,403</b>	7.6	548,082
Property	<b>8.8</b>	<b>10,510</b>	6.6	17,561
Corporate Bonds	<b>5.5</b>	<b>259,494</b>	5.5	268,034
Cash/Other	<b>0.7</b>	<b>96,556</b>	2.5	90,577
Combined	<b>7.0#</b>	<b>1,110,963</b>	6.8#	924,254

Asset values for 2009 and 2008 are bid values

\* The expected return on assets by asset category is not a required FRS17 (Amended December 2006) disclosure item (only the total rate needs to be disclosed).

# The overall expected rate of return on scheme assets is a weighted average of the individual expected rates of return on each asset class.

## Health Insurance Fund

### Notes to the Financial Statements for the year ended 31 December 2009

#### 5 PENSION SCHEME (continued)

##### RECONCILIATION OF FUNDED STATUS TO BALANCE SHEET

	Value at 31 December 2009 £000	Value at 31 December 2008 £000
Fair value of scheme assets	1,110,963	924,254
Present value of funded defined benefit obligations	(1,680,780)	(1,306,089)
Asset/(liability) as recognised on the balance sheet of PECRS	(569,817)	(381,835)

##### ANALYSIS OF PROFIT AND LOSS CHARGE

	Year ending 31 December 2009 £000	Year ending 31 December 2008 £000
Current service cost	33,174	37,482
Interest cost	78,317	72,927
Expected return on scheme assets	(54,254)	(74,793)
Expense recognised in profit and loss	57,237	35,616

PECRS, whilst a final salary scheme, is not a conventional defined benefit scheme as the employer is not responsible for meeting any ongoing deficiency in the scheme. Employer contributions are charged to revenue expenditure in the year they are incurred. As this scheme limits the liability of the States as the employer, scheme surpluses or deficits are only recorded within the States' accounts to the extent that they belong to the States.

##### CHANGES TO THE PRESENT VALUE OF THE DEFINED BENEFIT OBLIGATION DURING THE YEAR

	2009 £000	2008 £000
Opening defined benefit obligation	1,306,089	1,252,981
Current service cost	33,174	37,482
Interest cost	78,317	72,927
Contributions by scheme participants	11,981	11,261
Actuarial (gains)/losses on scheme liabilities*	297,177	(29,422)
Net benefits paid out	(46,212)	—
Past service cost	254	(39,140)
Closing defined benefit obligation	1,680,780	1,306,089

\* Includes changes to the actuarial assumptions

## Health Insurance Fund

### Notes to the Financial Statements for the year ended 31 December 2009

#### 5 PENSION SCHEME (continued)

##### CHANGES TO THE FAIR VALUE OF SCHEME ASSETS DURING THE YEAR

	2009 £000	2008 £000
Opening fair value of scheme assets	924,254	1,105,336
Expected return on scheme assets	54,254	74,793
Actuarial gains/(losses) on scheme assets	133,059	(260,192)
Contributions by the employer	33,627	32,196
Contributions by scheme participants	11,981	11,261
Net benefits paid out	(46,212)	(39,140)
Closing fair value of scheme assets	1,110,963	924,254

##### ACTUAL RETURN ON SCHEME ASSETS

	2009 £000	2008 £000
Expected return on scheme assets	54,254	74,793
Actuarial gains/(losses) on scheme assets	133,059	(260,192)
Actual return on scheme assets	187,313	(185,399)

##### HISTORY OF ASSET VALUES, DEFINED BENEFIT OBLIGATIONS AND SURPLUS/DEFICIT IN SCHEME

	2009 £000	2008 £000
Fair value of scheme assets	1,110,963	924,254
Defined benefit obligation	(1,680,780)	(1,306,089)
Deficit in scheme	(569,817)	(381,835)

##### HISTORY OF EXPERIENCE GAINS AND LOSSES\*

	2009 £000	2008 £000
Experience gains/(losses) on scheme assets	133,059	(260,192)
Experience gains/(losses) on scheme liabilities*	27,835	(23,258)

\* This item consists of gains/(losses) in respect of liability experience only, and excludes any change in liabilities in respect of changes to the actuarial assumptions used.



## Health Insurance Fund

Notes to the Financial Statements for the year ended 31 December 2009

### 6 DEBTORS

	2009 £000	2008 £000
Loan receivable: Social Security Fund	2,089	—
Trade debtors:		
Contributors - individuals and employers	6,950	6,068
Other debtors	114	208
Bank interest and other income	—	63
	<b>9,153</b>	6,339

The Minister considers that the carrying amount of the trade debtors approximates to their fair value.

- (a) Contributions are due from smaller organisations (less than 80 employees) and employers for the fourth quarter.
- (b) As at 31 December the Health Fund included a bad debt provision, 2009: £6,829 (2008: £4,720). During the year bad debts of, 2009: £1,894 (2008: £2,662) were written off.

	2009 £000	2008 £000
Up to 3 months	3	—
3 to 6 months past due	—	—
6 to 12 months past due	1	—
Over 12 months past due	3	5
	<b>7</b>	5

As at 31 December, trade debtors of carrying value, 2009: £9.2 million (2008: £6.3 million) were past their due date but not impaired. The ageing is shown below:

	2009 £000	2008 £000
Up to 3 months	8,693	6,009
3 to 6 months past due	216	39
6 to 12 months past due	63	80
Over 12 months past due	181	211
	<b>9,153</b>	6,339

## Health Insurance Fund

### Notes to the Financial Statements for the year ended 31 December 2009

#### 7 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2009 £000	2008 £000
Loan payable: Social Security Fund	—	624
Trade creditors:		
Amounts due to Doctors for Medical Benefit	133	66
Amounts due to Pharmacists for prescriptions	1,476	1,452
Amounts due to NHS Business Services Authority for the cost of prescription processing	95	70
Other creditors	20	29
	<b>1,724</b>	2,241

The Minister considers that the carrying amount of the trade creditors approximates to their fair value.  
The loan payable to the Social Security Fund is unsecured and repayable on demand.

#### MATURITY OF FINANCIAL LIABILITIES:

The maturity profile of the carrying amount of the Health Fund's liabilities, as at 31 December was as follows:

	Other financial liabilities £000	2009 £000	2008 £000
Up to 3 months	1,686	1,686	2,241
3 to 6 months past due	38	38	—
	<b>1,724</b>	<b>1,724</b>	2,241

#### 8 REVENUE RESERVES

	2009 £000	2008 £000
As at 1 January	72,098	63,435
Retained surplus for the year	5,378	8,663
As at 31 December	<b>77,476</b>	72,098

#### 9 RELATED PARTY TRANSACTIONS

The Health Fund has the following commercial, arm's length relationships with the States of Jersey Treasury and Resources and other States Departments as noted in the table below.

Payments made in the year to 31 December to these related parties are shown below:

	2009 £000	2008 £000
Jersey Post International Limited	11	18
Jersey Telecom Group Limited	11	16
Jersey Electricity Company Limited	10	9
States of Jersey Treasury and Resources and other States Departments	51	47
	<b>83</b>	90

## Health Insurance Fund

### Notes to the Financial Statements for the year ended 31 December 2009

#### 9 RELATED PARTY TRANSACTIONS (continued)

The Health Insurance Fund does not operate a bank account. Consequently all receipts and payments in relation to the Health Insurance Fund are made through the Social Security Department bank accounts due to their relationship in respect of the Social Security Fund and then reallocated to the loan account as appropriate.

During the year the Social Security Department made net payments on behalf of the Health Insurance Fund which in 2009 amounted to: £2.713m (2008: £6.730m). At the year end the Health insurance Fund was owed, 2009: £2.093m (2008: owed £0.624m).

Related Party costs for the year ended 31 December are analysed below:

	2009 £000	2008 £000
Services due to administration	1,480	1,153

#### RELATED PARTY BALANCES AT THE YEAR END:

	2009 £000	2008 £000
Amounts due to related parties:		
Social Security Fund	—	622
Treasurer of the States	1	1
Jersey Electricity Company Limited	1	—
Jersey Post International Limited	3	2
	5	625
Amounts due from related parties:		
Social Security Fund	2,089	—
Treasurer of the States	—	9
	2,089	9

#### 10 RECONCILIATION OF SURPLUS FOR THE YEAR TO NET CASH FLOW FROM OPERATING ACTIVITIES

	2009 £000	2008 £000
Surplus of income over expenditure for the year	5,378	8,663
(Increase) / decrease in debtors	(2,814)	5,181
(Decrease) / increase in creditors	(517)	1,156
	2,047	15,000

## Health Insurance Fund

Notes to the Financial Statements for the year ended 31 December 2009

### 11 ANALYSIS OF NET FUNDS

	At 1 January 2009 £000	Cash flows £000	At 31 December 2009 £000
Liquid resources	68,000	2,047	<b>70,047</b>
<b>Net funds</b>	68,000	2,047	<b>70,047</b>

### 12 ULTIMATE CONTROLLING PARTY

Under the Health Insurance (Jersey) Law, 1967 the Minister of Social Security is the ultimate controlling party of the Health Fund. The Minister of Social Security is a member of the council of Ministers of the States of Jersey and is responsible for safeguarding the assets of the Health Fund and for preparing the financial statements.



## Statistical Appendix 1

### Social Security Department – Service Analysis Summary of Income and Expenditure by Provider

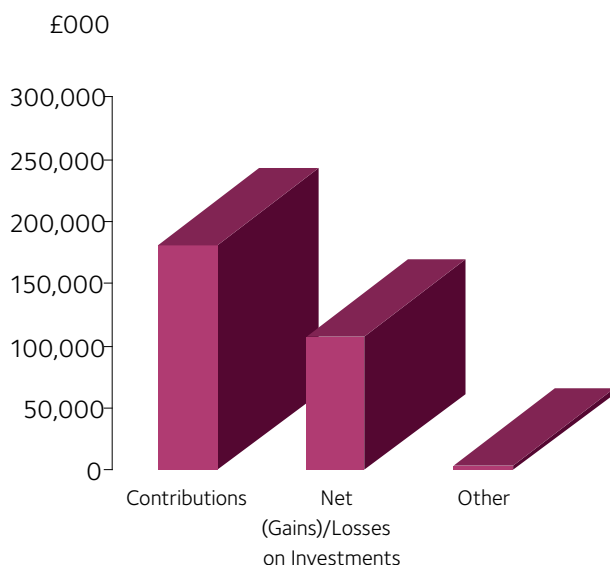
	Social Security Department £000	Social Security Fund £000	Social Security Reserve £000	Health Insurance Fund £000	Inter- Departmental Transfers ** £000	<b>Total 2009 £000</b>	Total 2008 £000
<b>INCOME</b>							
Contributions	—	(151,787)	—	(28,912)	—	<b>(180,699)</b>	(172,183)
States Contributions	—	(64,995)	—	—	64,995	—	—
Hire and Rentals	—	(170)	—	—	100	<b>(70)</b>	(20)
Sales of Services	(3,154)	—	—	(38)	—	<b>(3,192)</b>	28
Net (Gains)/Losses on Investments	—	—	(107,294)	—	—	<b>(107,294)</b>	109,743
Investment Income	—	(158)	—	(341)	—	<b>(499)</b>	(5,817)
Other Revenue	(1)	(22)	—	—	—	<b>(23)</b>	(8)
<b>Total Income</b>	<b>(3,155)</b>	<b>(217,132)</b>	<b>(107,294)</b>	<b>(29,291)</b>	<b>65,095</b>	<b>(291,777)</b>	<b>(68,257)</b>
<b>EXPENDITURE</b>							
Social Benefit Payments	153,412	172,091	—	22,424	(64,995)	<b>282,932</b>	263,877
Staff Costs	6,328	—	—	—	—	<b>6,328</b>	5,892
Supplies and Services*	1,006	4,595	499	1,299	—	<b>7,399</b>	4,107
Admin Expenses	136	210	38	112	—	<b>496</b>	478
Premises and Maintenance	235	217	—	32	(100)	<b>384</b>	293
Other Operating Expenditure	3	153	—	24	—	<b>180</b>	85
Grants and Subsidies Payments	1,567	—	—	22	—	<b>1,589</b>	1,390
Depreciation/Capital Charges	—	1,906	—	—	—	<b>1,906</b>	1,905
Finance Costs	—	69	—	—	—	<b>69</b>	48
Reserve Fund Appropriation	—	537	(537)	—	—	<b>0</b>	0
<b>Total Expenditure</b>	<b>162,687</b>	<b>179,778</b>	<b>—</b>	<b>23,913</b>	<b>(65,095)</b>	<b>301,283</b>	<b>278,075</b>
<b>(SURPLUS)/DEFICIT FOR YEAR***</b>	<b>159,532</b>	<b>(37,354)</b>	<b>(107,294)</b>	<b>(5,378)</b>	<b>—</b>	<b>9,506</b>	<b>209,818</b>

\* Staff Costs recharged to the Social Security Fund and Health Insurance Fund ('the Funds') are included in Supplies and Services of the Funds from 2009. These costs amounted to £2,571,849 for the Social Security Fund and £564,549 for the Health Insurance Fund are included within Supplies and Services costs of the respective Funds.

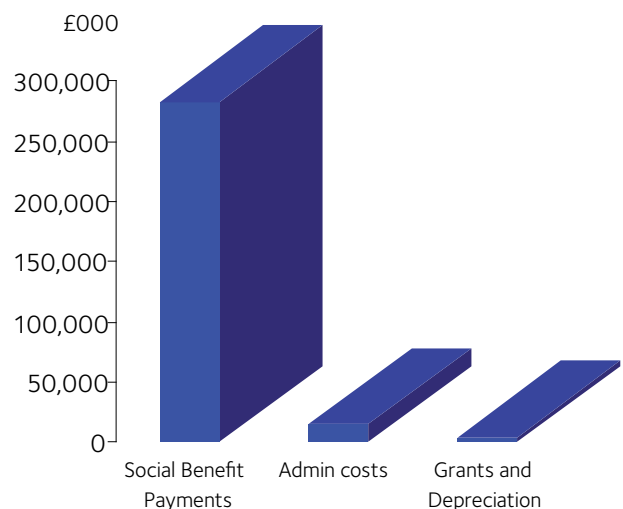
\*\* Inter-departmental transfers are in respect of internal fund movements between the Social Security Department, Social Security Fund and Health Insurance Fund. These relate to Supplementation and the rent of premises.

\*\*\* In respect of the Social Security Department, the amount relates to the net spend of the Social Security Department which gives an underspend of £32,062 against the Final Approved Budget.

INCOME FROM ALL SOURCES 2009



EXPENDITURE FROM ALL SOURCES 2009



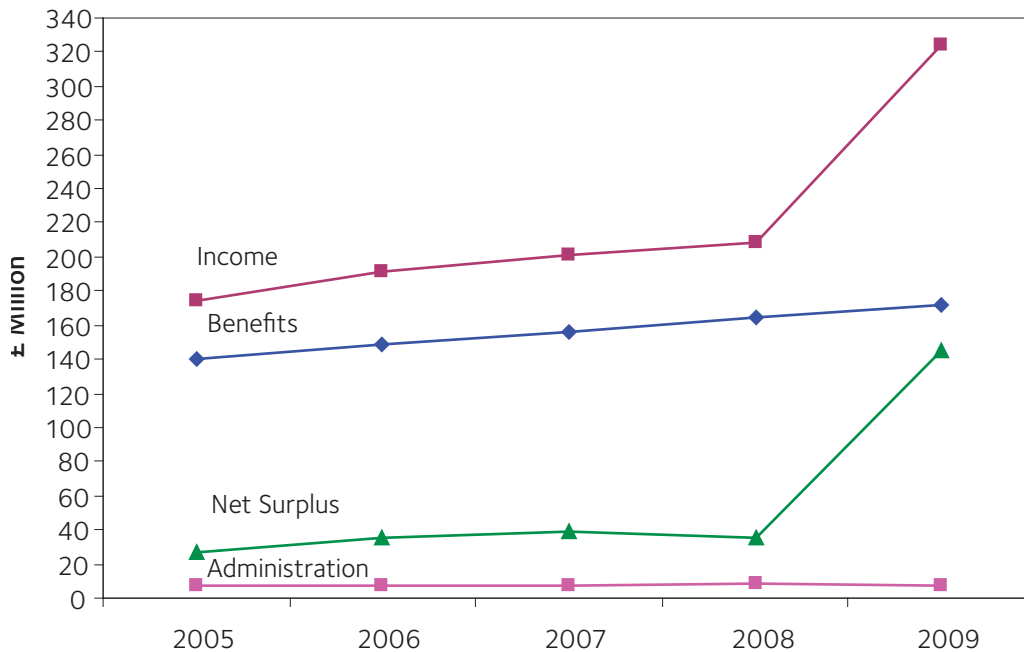
THE ABOVE INFORMATION IS FOR THE BENEFIT OF THE USER AND IS NOT PART OF THE AUDITED FINANCIAL STATEMENTS.

## Statistical Appendix 2

Five year summary of the Social Security Fund and the Social Security (Reserve) Fund

	2005 £000	2006 £000	2007 £000	2008 £000	2009 £000
<b>INCOME</b>					
Contributions	117,136	123,954	133,913	144,634	<b>151,787</b>
Supplementation	50,776	56,567	58,627	61,842	<b>64,995</b>
Net Investment income	5,302	8,671	7,001	3	<b>107,294</b>
Bank interest & other income	1,490	2,070	1,887	2,005	<b>349</b>
<b>Total Income</b>	<b>174,705</b>	<b>191,262</b>	<b>201,428</b>	<b>208,484</b>	<b>324,425</b>
<b>EXPENDITURE</b>					
Benefits	140,209	148,225	155,428	164,565	<b>172,091</b>
Administration	5,164	5,512	5,341	6,124	<b>5,781</b>
Depreciation	2,159	2,267	2,061	1,906	<b>1,906</b>
<b>Total Expenditure</b>	<b>147,532</b>	<b>156,004</b>	<b>162,830</b>	<b>172,595</b>	<b>179,778</b>
<b>NET SURPLUS</b>	<b>27,172</b>	<b>35,258</b>	<b>38,598</b>	<b>35,888</b>	<b>144,647</b>
<b>NET ASSETS</b>	<b>560,148</b>	<b>641,680</b>	<b>711,031</b>	<b>637,173</b>	<b>781,822</b>

SOCIAL SECURITY FUND SUMMARY 2005 TO 2009



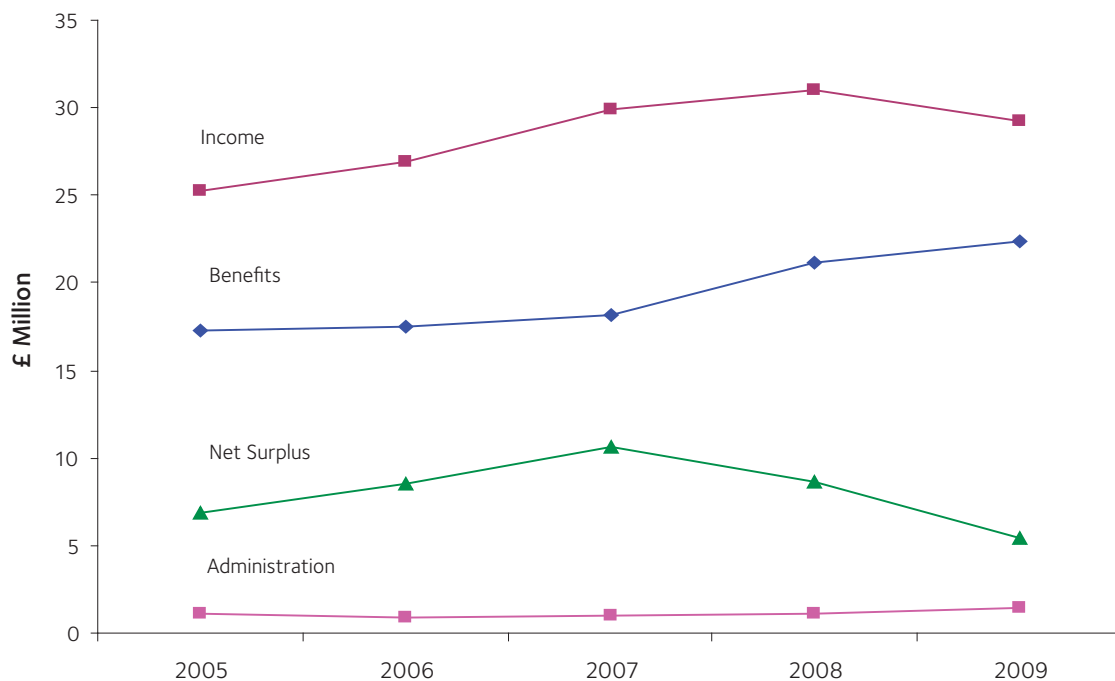
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## Statistical Appendix 3

### Five year summary of Health Insurance Fund

	2005 £000	2006 £000	2007 £000	2008 £000	2009 £000
<b>INCOME</b>					
Contributions- Contributors	22,312	23,610	25,507	27,549	<b>28,912</b>
Taxation	1,171	1,218	1,276	125	<b>—</b>
Bank interest	1,751	1,997	2,986	3,138	<b>294</b>
Discounts received	59	121	149	158	<b>85</b>
<b>Total Income</b>	<b>25,293</b>	<b>26,946</b>	<b>29,918</b>	<b>30,970</b>	<b>29,291</b>
<b>EXPENDITURE</b>					
Benefits	17,318	17,534	18,210	21,154	<b>22,424</b>
Administration	1,084	929	1,051	1,153	<b>1,489</b>
<b>Total Expenditure</b>	<b>18,402</b>	<b>18,463</b>	<b>19,261</b>	<b>22,307</b>	<b>23,913</b>
<b>NET SURPLUS</b>	<b>6,891</b>	<b>8,483</b>	<b>10,657</b>	<b>8,663</b>	<b>5,378</b>
<b>NET ASSETS</b>	<b>44,295</b>	<b>52,778</b>	<b>63,435</b>	<b>72,098</b>	<b>77,476</b>

HEALTH INSURANCE FUND SUMMARY 2005 TO 2009



THE ABOVE INFORMATION IS FOR THE BENEFIT OF THE USER AND IS NOT PART OF THE AUDITED FINANCIAL STATEMENTS.



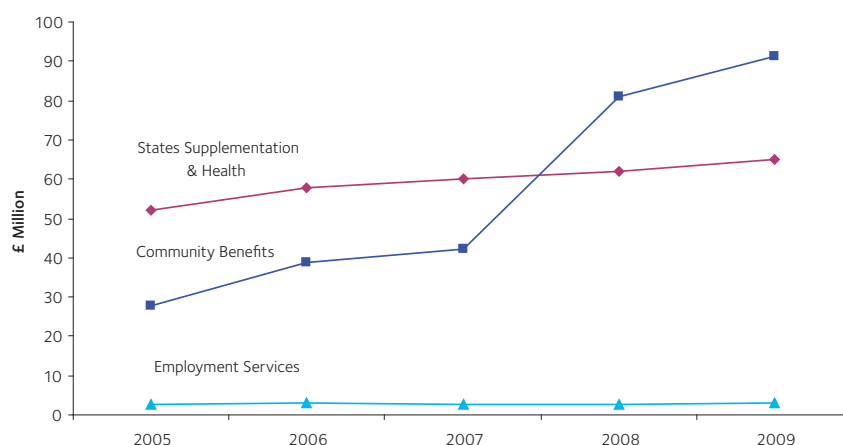
## Statistical Appendix 4

### Five year summary of Social Security (Tax Funded) Expenditure

	2005 £000	2006 £000	2007 £000	2008 £000	2009 £000
<b>NET EXPENDITURE</b>					
Contribution from the States					
States Supplementation	50,776	56,567	58,627	61,842	<b>64,995</b>
Health Insurance Exceptions*	1,171	1,218	1,276	125	—
<b>Total Contribution from the States</b>	<b>51,947</b>	<b>57,785</b>	<b>59,903</b>	<b>61,967</b>	<b>64,995</b>
Community Benefits					
Income Support	—	—	—	70,832	<b>83,286</b>
GST Benefit	—	—	—	109	<b>257</b>
Family Allowances*	5,155	5,360	5,564	409	—
Dental Benefit	97	95	92	92	<b>87</b>
Non-Contributory Death Grants	23	10	11	17	<b>14</b>
Milk at Reduced Rate*	361	350	329	16	—
Attendance Allowance*	3,616	3,958	4,161	358	—
Invalid Care Allowance	1,781	2,091	2,070	2,203	<b>2,281</b>
Disablement Allowance*	1,030	1,053	1,120	105	—
Welfare and Residential Care*	4,940	13,201	16,218	1,534	—
Christmas Bonus	1,412	1,459	1,565	1,662	<b>1,692</b>
Disability Transport Allowance*	6,395	6,470	6,616	568	—
Childcare Allowances*	469	514	513	(87)	—
Childcare Support	—	—	—	5	<b>3</b>
Social Fund (States)	246	136	198	100	<b>21</b>
65 + Health Plan	265	176	46	267	<b>295</b>
TV Licence 75+	—	176	195	204	<b>212</b>
Community Benefits Admin Direct and Indirect	2,142	3,824	3,625	2,459	<b>3,290</b>
<b>Total Community Benefits</b>	<b>27,932</b>	<b>38,873</b>	<b>42,323</b>	<b>80,853</b>	<b>91,438</b>
Employment Services					
Employment	1,692	2,219	1,629	1,731	<b>2,112</b>
Health and Safety	406	385	393	390	<b>413</b>
Employment Relations	495	505	485	557	<b>575</b>
<b>Total Employment Services</b>	<b>2,593</b>	<b>3,109</b>	<b>2,507</b>	<b>2,678</b>	<b>3,100</b>
<b>Total Net Expenditure</b>	<b>82,472</b>	<b>99,767</b>	<b>104,733</b>	<b>145,498</b>	<b>159,533</b>

\* Benefit paid until 27 January 2008 and then encompassed within Income Support benefit

#### 5 YEAR SUMMARY OF TAX FUNDED EXPENDITURE



THE ABOVE INFORMATION IS FOR THE BENEFIT OF THE USER AND IS NOT PART OF THE AUDITED FINANCIAL STATEMENTS.

## Statistical Appendix 5

### Contribution and Beneficiary Statistical Data as at 31st December

	2005	2006	2007	2008	2009
<b>SOCIAL SECURITY</b>					
<b>Number of Contributors</b>					
Employed - Class 1	41,764	42,990	43,989	44,913	<b>44,033</b>
Self Employed - Class 2	3,916	3,900	4,031	4,014	<b>3,981</b>
Red Card's	4,500	4,416	4,276	4,125	<b>3,997</b>
Receiving credits only	4,793	4,708	4,553	4,273	<b>4,281</b>
Receiving supplementation	30,439	31,444	31,484	32,195	<b>32,070</b>
<b>Number of Beneficiaries</b>					
Old Age Pension	22,852	23,484	24,202	24,894	<b>25,467</b>
Survivor's Benefit	940	945	952	937	<b>940</b>
Short Term Incapacity Allowance	1,219	1,097	973	1,103	<b>1,323</b>
Invalidity Benefit	1,962	1,754	1,575	1,405	<b>1,272</b>
Long Term Incapacity Allowance	1,370	1,785	2,066	2,237	<b>2,352</b>
Maternity Allowance	197	197	202	204	<b>225</b>
<b>HEALTH INSURANCE - ORDINARY</b>					
Number of persons in the scheme	83,172	84,177	85,013	90,800	<b>91,800</b>
Number of doctors' visits during year	338,556	354,395	342,404	351,457	<b>364,238</b>
Number of prescriptions during year	1,044,211	1,067,496	1,127,489	1,347,460	<b>1,590,227</b>
Gluten Free Food beneficiaries	189	205	216	235	<b>266</b>
<b>HEALTH INSURANCE - EXCEPTIONS</b>					
Number of persons in the scheme*	4,014	4,023	4,287	—	—
Number of doctors' visits during year	46,542	47,125	46,771	3,578	—
Number of prescriptions during year*	175,152	184,120	196,846	18,547	—
<b>STATES FUNDED SCHEMES</b>					
Income Support beneficiaries	—	—	—	8,362	<b>8,529</b>
Family Allowance beneficiaries*	1,244	1,215	1,172	—	—
Dental Scheme members	1,320	1,309	1,331	1,255	<b>1,214</b>
Milk at Reduced Rate beneficiaries *	7,578	7,463	8,634	—	—
Attendance Allowance beneficiaries*	733	762	793	—	—
Invalid Care Allowance beneficiaries	167	177	181	181	<b>180</b>
Disablement Allowance beneficiaries*	293	289	306	—	—
Christmas Bonus beneficiaries	18,122	18,262	18,544	18,702	<b>18,839</b>
Disability Transport Allowance beneficiaries*	3,131	3,237	3,309	—	—
Child Care Allowance beneficiaries (0-5)*	50	47	51	—	—
65+ Health Scheme members	2,623	2,740	2,779	2,826	<b>2,868</b>
Television Licence beneficiaries	—	1,425	1,500	1,435	<b>1,443</b>
Actively Seeking Work as at 31 December	414	427	322	670	<b>1,107</b>

\*Benefits now replaced by Income Support

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