



BILLET D'ÉTAT

WEDNESDAY, 8th DECEMBER, 2004

XXIV
2004

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2. Projet de Loi entitled "The Proceeds of Crime and Drug Trafficking (Bailiwick of Guernsey) (Amendment) Law, 2004", p. 2469.
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4. The Health Service (Benefit) (Amendment) Ordinance, 2004, p. 2469.
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B I L L E T D ' É T A T

TO THE MEMBERS OF THE STATES OF THE ISLAND OF GUERNSEY

I have the honour to inform you that a Meeting of the States of Deliberation will be held at **THE ROYAL COURT HOUSE, on WEDNESDAY, the 8th DECEMBER, 2004**, immediately after the meetings already convened for that day, to consider the items contained in this Billet d'État which have been submitted for debate by the Policy Council.

DE V. G. CAREY
Bailiff and Presiding Officer

The Royal Court House
Guernsey
19th November 2004

PROJET DE LOI

entitled

**THE STATES HOUSING (TENANCIES, RENTS AND REBATE SCHEME)
(GUERNSEY) LAW, 2004**

The States are asked to decide:-

I.- Whether they are of opinion to approve the Projet de Loi entitled “The States Housing (Tenancies, Rent and Rebate Scheme) (Guernsey) Law, 2004”, and to authorise the Bailiff to present a most humble Petition to Her Majesty in Council praying for Her Royal Sanction thereto.

PROJET DE LOI

entitled

**THE PROCEEDS OF CRIME AND DRUG TRAFFICKING (BAILIWICK OF
GUERNSEY) (AMENDMENT) LAW, 2004**

The States are asked to decide:-

II.- Whether they are of opinion to approve the Projet de Loi entitled “The Proceeds of Crime and Drug Trafficking (Bailiwick of Guernsey) (Amendment) Law, 2004”, and to authorise the Bailiff to present a most humble Petition to Her Majesty in Council praying for Her Royal Sanction thereto.

**THE PROCEEDS OF CRIME AND DRUG TRAFFICKING (BAILIWICK OF
GUERNSEY) (AMENDMENT) ORDINANCE, 2004**

The States are asked to decide:-

III.- Whether they are of opinion to approve the draft Ordinance entitled “The Proceeds of Crime and Drug Trafficking (Bailiwick of Guernsey) (Amendment) Ordinance, 2004”, and to direct that the same shall have effect as an Ordinance of the States.

THE HEALTH SERVICE (BENEFIT) (AMENDMENT) ORDINANCE, 2004

The States are asked to decide:-

IV.- Whether they are of opinion to approve the draft Ordinance entitled “The Health Service (Benefit) (Amendment) Ordinance, 2004”, and to direct that the same shall have effect as an Ordinance of the States.

**THE HOUSING (CONTROL OF OCCUPATION) (AMENDMENT OF
HOUSING REGISTER) (No.2) ORDINANCE, 2004**

The States are asked to decide:-

V.- Whether they are of opinion to approve the draft Ordinance entitled “The Housing (Control of Occupation) (Amendment of Housing Register) (No.2) Ordinance, 2004”, and to direct that the same shall have effect as an Ordinance of the States.

THE WATER CHARGES (AMENDMENT) ORDINANCE, 2004

The States are asked to decide:-

VI.- Whether they are of opinion to approve the draft Ordinance entitled “The Water Charges (Amendment) Ordinance, 2004”, and to direct that the same shall have effect as an Ordinance of the States.

PRIAULX LIBRARY COUNCIL

NEW MEMBER

The States are asked:

VII.- To elect a Member of the Priaulx Library Council to fill the vacancy which has arisen by reason of the expiration of the term of office of Mr W Le R Robilliard, who is eligible for re-election.

HOME DEPARTMENT

THE GUERNSEY GAMBLING CONTROL COMMISSION: 2003 ANNUAL REPORT

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

20th September 2004

Dear Sir,

The Guernsey Gambling Control Commission Law, 2001 (the Law) requires the Commission to prepare an annual report and the Home Department to submit that report to the States.

The Law also requires the Commission to prepare audited accounts and for them to be laid before the States “in the same manner as the accounts of a Committee of the States”.

The 2003 Policy and Resource Planning Report stated that the annual re-appointment of the Commission’s auditors will be part of that body’s annual reporting process.

The Home Department recommends the States:

1. to note the Report
2. to approve the accounts of the Guernsey Gambling Control Commission for the year ended 31 December 2003
3. to appoint KPMG as auditors of the Guernsey Gambling Control Commission for the year ending 31 December 2004.

M W Torode
Minister
Home Department



Guernsey Gambling Control Commission

Guernsey

Channel Islands

Annual Report

2003

Office address:	La Battue Candie Road St Peter Port Guernsey GY1 1UP
Chairman:	Peter Morgan
Telephone number:	+44 (0) 1481 726819
Facsimile number:	+44 (0) 1481 700563
E-mail address:	petermorgan@guernsey.net
Executive Officer:	André Wilsenach
Telephone number:	+44 (0)1481 823967
Facsimile number:	+44 (0)1481 823978
E-mail address:	andre@gamblingcontol.org



Guernsey Gambling Control Commission

01 March 2004

The President
Gambling Control Committee
States of Guernsey
Sir Charles Frossard House
St Peter Port
Guernsey
GY1 1FH

Dear Sir

I have pleasure in presenting the Report of the Guernsey Gambling Control Commission for the period 1 January to 31 December 2003.

Yours faithfully,

Peter Morgan

Chairman

La Battue, Candie Road, St Peter Port, Guernsey, GY1 1UP
Tel: 01481 726819 Fax: 01481 700563

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- Chairman's Statement
- Commission
- Regulatory Approach
- Activities during 2003

Chairman's Statement

The Guernsey Gambling Control Commission was appointed in December 2002. One of our first actions was to set in train the introduction of regulations on which the Commission will base its regulation of the casino industry in Guernsey. The Regulations were promulgated in March 2003.

The Commission facilitated the introduction of additional legislation to support the regulatory processes provided for in the regulations. This led to the introduction of The Guernsey Gambling Control Commission (Casino Gaming) (Fees) Ordinance, 2003.

In addition to the Commission's involvement in establishing and improving the regulatory framework, a considerable amount of preparatory work was needed before we could accept applications for a casino operator's license. Potential applicants naturally wish to know what the application and licensing fees will be and what will be expected of them during both the application and operational phases. We have therefore developed a set of application forms as well as a detailed description of operating requirements.

All of the above activities were undertaken without having to appoint staff. The Commission was fortunate to make use of the resources available at the States of Guernsey, the Law Officers of the Crown and the Alderney Gambling Control Commission.

During the year under review we have established strong links with other regulators. In particular, the Gaming Board for Great Britain gave us invaluable assistance with reviewing our regulatory framework. We also became a member of the International Association of Gambling Regulators.

I am glad to note that all of these activities, which have involved a considerable investment in time by the Commission and support by the Alderney Gambling Control Commission, have cost the Commission only £71,000. Considering that the Commission, as a result of the hotel concession process, will not be in a position to grant a casino operators license before the end of 2005, at the earliest, I sincerely trust that the States of Guernsey will support the Commission during the next year with the necessary bridging finance to see it through to the point where we are able generate our own income from license fees.

I wish to thank everyone who has contributed to the success of the Commission. In particular the Gaming Board for Great Britain and the Gaming Commission of the Isle of Man, who shared with us their approaches towards regulating casinos; the Alderney Gambling Control Commission for making the services of their Executive Officer available; the Secretary to Guernsey States Committees, who provided secretarial support in the initial few months following the establishment

of the Commission; and Adv. Robert Titterington of HM Procurers Chambers, who drafted the Regulations and Ordinances and provided us with invaluable legal advice.

I want to express the Commission's sincere appreciation to Andre Wilsenach and his staff at the Alderney Gambling Control Commission for rendering technical and administrative support during the year under review. We appreciate the willingness of the Alderney Commission to share their expertise in the gambling field with us on a consultancy basis.

Finally, I also wish to express special thanks to my fellow Commissioners, who contributed generously and enthusiastically to the activities of the Commission during the past year.

Commission

The Commission is independent and non-political. It includes people with experience of regulation, corporate governance, financial services and management.

The Commission is chaired by **Peter Morgan**. He served in the States of Deliberation from 1981 to 1983 when he was elected as a Deputy. In 1988 he commenced the first of two consecutive terms as a Conseiller. He was elected to the Advisory and Finance Committee in 1989 and was President from 1994 to 1997. He was a Member and later President of the Civil Service Board. He served as Vice President of the Income Tax Authority and the Guernsey Transport Board and as a member of the Constitution of the States Review Committee, the Emergency council, the Appointments Board, the Prison Board, the Public Thoroughfares Committee and the Sea Fisheries Committee. He was also Chairman of the Guernsey Financial Services Commission. He is currently an adjudicator in respect of cases of unfair dismissal and a Trustee of the Training Agency, Drug Concern and the Town Centre Partnership. He sits as a Non-Executive Director on a number of boards in Guernsey and three in Jersey.

Peter Crook joined the Bank of England in 1960 and remained in the Bank for 26 years working in all the key areas including a 2-year period as a private secretary to the Governor. In 1986, he was seconded to the International Monetary Fund and under their auspices worked in the Cayman Islands as Inspector of Banks and Trust Companies and advisor to the Governor. He retired from the Bank and joined the Financial Services Commission in Guernsey in 1989 with responsibility for the banking sector. He was appointed Director General of the Commission in 1997. Since retiring from the Commission in 2001, he has taken up directorships in Barclays Finance Company and in several investment fund companies.

Carol Goodwin is a director of Investec Bank (Channel Islands) Limited and during the periods 1994 to 1996 & 1998 to 2001 held the position of Managing Director. She also acts as Director for several other subsidiary and associated companies for the Investec Group (formerly Guinness Mahon) as well as for some other financial services entities. Carol has extensive experience in the finance industry and has held senior executive positions in several European and North American banks, managing businesses in London, Toronto, Montreal, Amsterdam, Nassau and Guernsey. She was responsible for establishing and launching a new full-service bank in Holland in 1992 and since moving to Guernsey in 1994 has been instrumental in expanding Investec's business by ten-fold. Carol is a Fellow of the Institute of Canadian Bankers, a Trust and Estate Practitioner and a Chartered Director of the Institute of Directors.

Chris Spencer qualified as a chartered accountant in London in 1975. Following two years in Bermuda, he moved to Guernsey in 1977. Chris specialized in audit and fiduciary work and was managing partner/director of PKF from 1990 until his retirement in May 2000. Chris is a past President of the Guernsey Society of Chartered and Certified Accountants and a past Chairman of the Guernsey Branch of the Institute of Directors. He was also the non-executive Chairman of Guernsey Post Limited, is still a member of the Transport Board and a Director of a number of funds and other companies.

Regulatory Approach

The single most important policy of the Commission is to provide a regulatory environment that meets international standards and thereby to protect the reputation of Guernsey. Following from this broad policy of the Commission, its main objectives are to ensure that:

- all gaming is conducted honestly and fairly;
- the funding, management and operation of casino gaming on Guernsey remains free from criminal influence and exploitation; and
- the interests of the public are protected, in particular, ensuring that players understand what they are being offered, that the games are fair and that the young and vulnerable are protected.

These objectives are reflected in the regulatory framework of the Commission, which provides for the following:

Licensing

Licensing is the first step. The main objective is to ensure that the applicant company and its key employees are ‘fit and proper’.

The owners, managers and sources of finance are all subjected to probity investigation. It is a rigorous process that will typically involve examination of financial records, including personal financial records, and the business history of the applicant company and its associates, in addition to the usual checks through police and financial intelligence records.

If the outcome is satisfactory, and the Commission makes a finding of suitability, where upon the applicant company and its key personnel are awarded licences conditional on approval of their internal controls. These further approvals are required before the licensee is allowed to commence business.

Technical compliance

In addition to licensing the casino operator, it is also expected of the suppliers of gaming equipment to be approved by the Commission. Accordingly, suppliers will typically be expected to apply for a Certificate of Prior Approval, during which the Commission will assess the suitability of the supplier.

To ensure that the casino gaming equipment complies with international standards, it is expected of the holder of a Certificate to obtain the approval from the Commission for the equipment to be used in the casino. In considering an application for the approval of gaming equipment, the Commission may appoint persons with the appropriate technical background to assist the Commission with the evaluation of the equipment.

Internal controls

The Commission also provides detailed guidelines for the submission of a suitable Control System Submission. The purpose of the Control System Submission is to provide the casino operator the opportunity to submit to the Commission for its approval a set of internal controls and operating procedures, instead of the Commission prescribing such controls and procedures.

A licensee's control system submission should be designed to provide the following:-

- Administrative control which includes the plan of organisation and the procedures and records that are concerned with the decision processes leading to management's authorisation of transactions.
- Accounting controls which include the plan of organisation and the procedures and records that are concerned with the safeguarding of assets and the reliability of financial records.
- Controls to prevent the use of casino gaming for purposes of the laundering of the proceeds of crime.
- Control over all matters related to the playing and operation of casino games and gaming machines on the licensed premises.

Only once the Control System Submission has been approved, the licensee will be allowed to commence with casino operations. These controls will also be used as the basis upon which the Commission conducts its ongoing compliance checks of the operation.

Regulatory Framework

The regulatory framework in terms of which the Commission regulates the licensee consists of the following:

- The Guernsey Gambling Control Commission, Law, 2001;
- The Guernsey Gambling (Casino Gaming) Ordinance, 2001;
- The Guernsey Gambling Control Commission (Casino Gaming) (Fees) Ordinance, 2003;
- The Gambling (Casino Gaming) Regulations, 2003;
- The Guernsey Gambling Control Commission Control System Guidelines for Casino Operators Licence, 2003.

Activities during 2003

Investigations and licensing

In order to facilitate the licensing process, the Commission prepared a set of application forms, consisting of the following forms:

- Application form for a Casino Operator's Licence;
- Corporate Declaration Form; and
- Application Form for Key Employee Registration.

Following the decision of the States of Guernsey to grant 'Proposed Concessionaire' status to St Pierre Park Hotel Limited, the Commission met in November 2003 with St Pierre Park Casino Limited to discuss the casino application process and its approach towards the regulation of casino gaming.

At 31 December, the Commission was expecting St Pierre Park Casino Limited to submit their application for a Casino Operators Licence during the first quarter of 2004.

Considering the decisions taken by the States of Guernsey during 2003 with regard to the casino hotel concession process, it is anticipated that the licensing of the casino operator will proceed as follows:

- Submission of license application by the proposed concessionaire during the first quarter of 2004;
- Conducting of investigations during the first and second quarters of 2004;
- Decision by the Commission to issue a Casino Operators license in principle during the second quarter of 2004;
- Evaluation and approval, in principle, of the proposed concessionaire's Control System Submission during the second half of 2004;
- Completion of the casino/ hotel complex and granting of hotel concession towards the end of 2005; and
- Issuing of Casino Operators License at the end of 2005 or early 2006.

The above time frames are obviously dependant upon the progress made by the proposed concessionaire during the development phase of the hotel and casino.

Compliance

To establish a basis for the ongoing regulation of the Casino Operators Licensee, the Commission produced the following two documents:

- The Gambling (Casino Gaming) Regulations, 2003; and
- The Guernsey Gambling Control Commission Control System Guidelines for Casino Operators Licence, 2003.

The Gambling (Casino Gaming) Regulations, which was promulgated in March 2003 provides for the following aspects of regulating the casino operator:

- Application for Casino Operator's licence;
- Control Systems for authorised casino games;
- Members, officers and servants of the Commission;
- Miscellaneous matters concerning licensees and casino gaming;
- Excluded persons and exclusion of persons;
- Key employees and nominee;
- Suppliers of Gaming Equipment;
- Approval and registration of casino gaming equipment;
- Procedures for determining of disputed claims; and
- Interpretation and miscellaneous matters.

The Gambling (Casino Gaming) Regulations, 2003 provides that a licensee shall make a submission to the Commission in writing (a 'control system submission'), prepared at his own cost, by or with the approval of its auditors, which describes and explains the types and number of casino games and gaming machines which the licensee proposes to operate as well as the system of controls and administrative management, accounting and other procedures that the licensee proposes to implement in respect of those games and gaming machines to ensure that they are played and operated fairly and in accordance with the provisions of the laws of the Island. The Regulations further provides that a licensee and any employee of that licensee who, without reasonable excuse, permits any person to play any casino game or operate any machine upon the licensed premises, unless there is in place an approved control system submission relating to those premises, or, otherwise than in accordance with the provisions of an approved control system relating to those premises, is guilty of an offence.

In order to assist the licensee in preparing a control system submission, the Commission prepared a set of guidelines on the following matters:

Structure and staff

- Corporate structure
- Associated businesses
- Organisational structure
- Job descriptions
- Key employee
- Compliance officer
- Staff training
- External consultants
- Code of conduct
- Internal office procedures
- Nominee
- Emergency procedures
- Premises

Accounting systems

- Chart of Accounts
- Internal accounting controls
- Management accounts
- Budgets
- Accounting Policies
- Internal audit function
- Annual audit
- Report by the external auditor
- Accounting software
- Bank accounts
- Account signatories
- Transactions reporting
- Agency arrangements
- Asset classification and control

Anti-money laundering

- General requirements
- Identification procedures
- Evidence of identity
- Changes in patterns of transactions
- Record keeping
- Records of transactions
- Retention of records
- Format and retrieval of records
- Register of Money Laundering Enquiries and Reports
- Recognition and reporting of suspicious transactions
- Staff training
- Training for senior and specialist staff

- Refresher training
- Reports to the Board of Directors and Commission
- Payment of participants

Operational Procedures

- Casino floor
- Gaming Tables
- Gaming machines
- Jackpots
- Equipment
- Cashiers Cage
- Computer applications
- Surveillance
- Retention of records
- Security
- Gaming reserve fund
- Junket agents
- Complementaries
- Hours of operation
- Player protection
- Under-aged gambling
- Cheaters and persons suspected of contravention
- Gratuities
- Additional entertainment
- Advertising

The Commission

The Commission held a total of thirteen meetings during the year. Apart from household matters, the Commission typically considered such matters as:

- Amendments to the legislation;
- Regulations;
- Guidelines for preparing of control systems;
- Application forms;
- Resourcing;
- License and application fees; and
- Funding arrangements.

In March, the Commission visited the Gaming Board for Great Britain and the Isle of Man Casino Control Commission. The purpose of these visits was to gain experience in the field of the regulation of casinos. In both of the said jurisdictions the Commission was met by the respective Commissions and accompanied by inspectors to several casinos in the said jurisdictions, which allowed the Commission the opportunity to observe the controls and procedures that are typically applied in regulated casinos.

The Commission also held meetings with the following parties:

- The President and members of the Gambling Control Committee, during which the Regulations and the Casino Gaming Fees Ordinance were discussed;
- The Chairman and staff of the Guernsey Tourist Board, during which the hotel concession process was discussed;
- Directors of St Pierre Park Casino Limited, during which a presentation of proposed hotel and casino project was made and the Commission's approach towards the regulation of the casino was discussed;
- The Treasurer of the States of Guernsey, during which the Commission's concerns regarding the future funding of the Commission was discussed; and
- Advocate Robert Titterington of HM Procurer's Chambers, who advised the Commission on several occasions during the year under review.

Staffing

The Commission undertook all of the said activities without having to employ any staff on a full-time basis. Instead, the Commission entered into an agreement with the Alderney Gambling Control Commission whereby they rendered professional and secretariat services to the Commission on a consultancy basis.

Finances

The activities of the Commission during the year under review were funded by an interest bearing loan from the States. The Commission is pleased that it was able to undertake all of the above mentioned actions at a total cost of only £71,000 for the year.

The main items of expenditure for the year to 31 December 2003 were:

• Commission fees	40,587
• Consultancy fees	26,594
• Travelling and subsistence	2,088
• Entertainment	84
• Interest	1,736
	71,089

Having considered the implications of decisions made by the States last autumn in relation to the granting of the hotel concession, the Commission is concerned that it will not be in a position to issue a casino operators licence until late 2005, or more likely well into 2006. The inability to issue a licence in the foreseeable future has significant implications for the Commission's funding and consequentially its ability to function in accordance with its statutory responsibilities. Considering that the Commission is prohibited from borrowing from commercial sources, it will have to obtain additional financial resources from the States of Guernsey.

Guernsey Gambling Control Commission

Report and financial statements

31 December 2003

Guernsey Gambling Control Commission

Statement of responsibilities for the preparation of financial statements

The Guernsey Gambling Control Commission ("the Commission") is responsible for the preparation of a statement of accounts for each financial year which give a true and fair view of the state of affairs of the Commission and for selecting suitable accounting policies. In preparing that account the Commission is expected to:

- apply suitable accounting policies on a consistent basis;
- make judgements and estimates that are reasonable and prudent; and
- prepare the income and expenditure account on a going concern basis, unless it is inappropriate to do so.

The Commission acknowledges responsibility for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Commission.

It is the responsibility of the Commission to identify and install a system of internal controls, including financial control, which is adequate for its own purposes. Thus the Commission is responsible for safeguarding the assets in its care and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.



2 Grange Place
The Grange
Guernsey, Channel Islands
GY1 4LD

Independent auditors' report to the Guernsey Gambling Control Commission

We have audited the accounts on pages 3 to 5 which have been prepared under the accounting policies set out on page 5.

Respective responsibilities of the Guernsey Gambling Control Commission and auditors

As described in the statement of responsibilities for the annual accounts, the Guernsey Gambling Control Commission is responsible for the preparation of accounts for each financial year which give a true and fair view of the state of affairs of the Commission and for selecting suitable accounting policies. Our responsibility, as independent auditors, are established the UK Auditing Practices Board and by our profession's ethical guidance.

We report to you our opinion as to whether the accounts give a true and fair view and are prepared in accordance with the accounting policies set out on page 5. We also report if, in our opinion, the Guernsey Gambling Control Commission has not kept proper accounting records or if we have not received all the information and explanations we require for our audit.

Basis of audit opinion

We conducted our audit in accordance with UK Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made in the preparation of the accounts, and of whether the accounting policies are appropriate to the Guernsey Gambling Control Commission's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the accounts are free of material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the Guernsey Gambling Control Commission for the year ended 31 December 2003 and have been properly prepared in accordance with the accounting policies set out on page 5.

Chartered Accountants

Guernsey Gambling Control Commission

Income and expenditure account for the year ended 31 December 2003

	Note	2003 £
Income		
Licence revenue		-
Expenditure		
Members Attendance fees		40,588
AGCC		26,594
Travel & Subsistence		2,088
Entertainment		84
Interest Paid		<u>1,735</u>
		<u>71,089</u>
Deficit for the financial year		£ (71,089)

Guernsey Gambling Control Commission

Balance sheet

at 31 December 2003

	Notes	2003 £
Current assets		
Bank balances - current		<u>6,158</u>
Creditors: amounts falling due within one year		
Accruals		3,511
Loan: States of Guernsey		<u>73,736</u>
Total Current liabilities		<u>(77,247)</u>
Net current liabilities		<u>(71,089)</u>
Total net assets		£ <u>(71,089)</u>
Reserves		£ <u>(71,089)</u>

The accounts were approved by the Guernsey Gambling Control Commission on

2004.

Signed on behalf of the Commission

Chairman

Guernsey Gambling Control Commission

Notes to the financial statements

1. Accounting policies

The financial statements are prepared in accordance with applicable UK accounting standards. The particular accounting policies adopted are described below.

Accounting convention

The financial statements are prepared under the historical cost convention.

Income

Income accounted for on an accruals basis.

Related party transactions

Statement of control

The Guernsey Gambling Control Commission is wholly owned and ultimately controlled by the States of Guernsey. Responsibility for the operations of the Guernsey Gambling Control Commission has been delegated to the members of the Board who have been appointed by the States of Guernsey.

(NB The Policy Council supports the proposals)

(NB The Treasury and Resources Department supports the proposals)

The States are asked to decide:-

VIII.- Whether, after consideration of the Report dated, 20th September, 2004, of the Home Department, they are of the opinion:-

1. To note that Report
2. To approve the accounts of the Guernsey Gambling Control Commission for the year ended 31 December 2003
3. To appoint the firm of KPMG as auditors of the Guernsey Gambling Control Commission for the year ending 31 December 2004.

STATUTORY INSTRUMENT LAID BEFORE THE STATES**THE SUNDAY TRADING (CONCESSIONARY PERIOD) REGULATIONS,
2004**

In pursuance of Section 33 (3) of the Sunday Trading Ordinance, 2002, the Sunday Trading (Concessionary Period) Regulations, 2004, made by the Commerce and Employment Department on 27th October, 2004, are laid before the States.

EXPLANATORY NOTE

These Regulations are made under the Sunday Trading Ordinance, 2002, as amended by the Sunday Trading (Amendment) Ordinance, 2003 and the Sunday Trading (Amendment) Ordinance, 2004. They prescribe a concessionary period for the purposes of paragraph L of the Schedule to the 2002 Ordinance, as being the months of November, December and January in any particular year.

The purpose of prescribing a concessionary period is to permit garden centres which are already in possession of a category L Sunday Trading Licence to have Christmas decorations and wrapping paper offered for sale during the concessionary period without being restricted to a single and discrete floor area of 100 square metres.

APPENDIX I

SOCIAL SECURITY DEPARTMENT

ACTUARIAL REVIEW OF SOCIAL INSURANCE LAW

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

25th October 2004

Dear Sir

Section 102 of the Social Insurance (Guernsey) Law requires there to be actuarial review of the operation of that Law at intervals not exceeding five years and for the Actuary's report of those reviews to be laid before the States as soon as is practicable.

I attach a copy of a report by the Government Actuary for the period 1 January 1999 to 31 December 2003. I should be grateful if you could arrange for this to appear as an appendix to the Billet d'Etat at the earliest opportunity.

Yours faithfully

Mary Lowe
Minister

Enc.

THE SOCIAL INSURANCE (GUERNSEY) LAW 1978

**REPORT BY THE GOVERNMENT ACTUARY ON THE OPERATION
OF THE SOCIAL INSURANCE (GUERNSEY) LAW IN THE PERIOD
1 JANUARY 1999 TO 31 DECEMBER 2003**

To the Minister for Social Security:

Section 102 of the Social Insurance (Guernsey) Law 1978 provides for a review of the operation of the Social Insurance Law at intervals not exceeding five years. My previous review covered the period of five years up to 31 December 1998 and, at the request of the Department, I have carried out a review covering the period of five years from 1 January 1999 to 31 December 2003. I now submit the following report on the financial condition of the Insurance Fund and on the adequacy of the present contribution rates. All the references to Guernsey in this report are to be taken to include also the islands of Alderney, Herm and Jethou, whose residents are covered by the Social Insurance Law.

Christopher Daykin CB FIA
Government Actuary

October 2004

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1 Summary of the Review

- 1.1 This report concerns the financial condition of the Guernsey Social Insurance Fund as at 31 December 2003 and the expected adequacy in future years of the present contribution rate of 7.3 per cent of earnings, assuming a continuing States grant of 50 per cent of contribution income. The main estimates in Section 4 of this report are based on the law in force at the end of calendar year 2003 plus the changes in the law brought into force on 1 January 2004 to achieve gender equality.
- 1.2 The Fund is financed broadly on the pay-as-you-go principle. Changes in contribution rates and benefit levels are made such that rough equality is maintained between income and expenditure. The rates of contribution needed are determined by the average level of benefits and earnings and by the relative number of contributors and beneficiaries. As these numbers are significantly affected by demographic changes, projections are made for a period of 60 years into the future, in order to illustrate the impact of demographic changes and the gradual maturing of the provisions of the scheme.
- 1.3 However, notwithstanding the pay-as-you-go principle, a Fund is maintained to act as a reserve to meet unforeseen contingencies in the operation of the insurance scheme. This was articulated as the intended role of the Fund in the financial strategy determined by the States in July 1980. Since the previous report as at 31 December 1998 the value of the Fund has decreased from about six and one-quarter to about five and one-quarter years' expenditure. However, it is still sufficient to fulfil its function as a reserve. This is considered further in paragraph 2.5 and in section 4. This decrease in the value of the Fund has been mainly due to the depreciation of the assets as a result of the world-wide slump in the value of stocks. The annual operating surplus has been significant during this period because of Guernsey's good economic position.
- 1.4 Old age pensions accounted for 79 per cent of the Fund's expenditure in 2003 and the estimates in this report indicate that this is projected to increase steadily in future to reach about 86 per cent by 2038 with price up-rating of benefits (89 per cent with earnings up-rating). Thereafter the percentage is projected to decline to reach 83 per cent by 2063 with price up-rating (with earnings up-rating, it is projected to continue to increase slowly to reach about 90 per cent by 2063). The estimates in this report indicate that the number in the population over pension age could increase from about 10,200 in 2003 to about 18,300 in 2038, assuming no further migration, and to about 19,100 assuming 200 a year net migration. Thereafter the population over pension age is projected to reduce to about 15,800 by 2063, assuming no further net migration, and to about 18,700, assuming net migration of 200 a year. The cost will increase more than would be expected from the change in the numbers in the population because of the increase in numbers of overseas pensioners.

- 1.5 The projected numbers of contributors in future years have been obtained by applying assumed proportions of men and women contributing at each age in the different categories to the projected numbers in the working population. These proportions were derived from statistics of the numbers contributing during the last economic cycle, adjusted for the level of unemployment and allowing for the increased proportion of women contributing and for the changes made by the gender equality legislation.
- 1.6 In 2003 there were 4.0 persons of working age for each person aged 65 and over. Assuming migration of 200 a year, this ratio is expected to change little up to 2008, but is then projected to drop to 3.0 by 2018, 2.1 by 2033 and 1.8 by 2063. When allowance is made for the fact that not everyone at working ages contributes, as well as including overseas pensioners, the ratio of contributors to pensioners shows a similar progression but at a different level. In 2003 the ratio of contributors to pensioners was 2.4 but it is projected to drop to 1.3 by 2033, where it is expected to remain up to 2063 (see Table 3.2).
- 1.7 The Class 1 contribution rate required to break even (assuming that the States grant continues to be calculated in the same way) was lower at the time of the review than the actual contribution rate of 7.3 per cent of earnings because of the good economic conditions. This “break-even contribution rate” is projected to increase in the future but to remain below 7.3 per cent for the next ten years at least. A summary of the required break-even contribution rates, assuming migration of 200 a year, is given in Table 1.1.

Table 1.1: Estimated joint rates of contribution as a percentage of earnings to the Guernsey Social Insurance Fund in respect of employed earners assuming net immigration of 200 a year

Year	Upratings of benefits and earnings limits:	
	In line with prices	In line with earnings
2003	6.4%	6.4%
2008	6.1%	6.4%
2013	6.5%	7.1%
2023	7.4%	8.8%
2033	8.7%	11.1%
2043	9.1%	12.1%
2053	9.1%	12.4%
2063	9.4%	13.1%

Notes

The contribution rates in Table 1.1 exclude the health insurance and long-term care contributions and assume maintenance of the States grant at the present level.

Corresponding figures for the nil migration assumption are shown in Appendix F.

- 1.8 In practice it seems probable that the current Class 1 contribution rate of 7.3 per cent may be able to be maintained until 2013 without any diminution of the Fund as a contingency reserve. Thereafter, the rate at which contributions will need to be increased will depend on the economic conditions, the rate of return on the fund, the level of up-ratings and the migration experienced in the intervening years. Significant increases are likely to be required after about ten years if future up-ratings are in line with earnings, but contributions may not need to be raised for some considerable time if up-ratings are confined to increases in line with prices. However, continuing to increase pensions on this basis would result in the standard of living of the elderly decreasing relative to the working population.
- 1.9 The progress of the fund, assuming net immigration of 200 a year and maintenance of the current contribution rate, is shown in Figure 4.2. This demonstrates that up-ratings somewhat in excess of prices can most likely be afforded for some years without increasing the contribution rate. If the current contribution rate is maintained, then the Fund is projected to rise to about 18 times annual expenditure by 2063 assuming up-ratings in line with prices, and to fall to below 1 year's expenditure by 2038 assuming up-ratings in line with earnings. The operating surplus is expected to remain positive until 2022 assuming prices up-rating and until 2014 assuming earnings up-ratings.
- 1.10 It should be emphasised that these estimates are not forecasts or predictions of the contribution rates necessary in future years, but projections of what would happen on the basis of the stated assumptions. The demographic and economic assumptions underlying the estimates are inevitably subject to a considerable degree of uncertainty, particularly for the more distant future. The effects of variations in the more important assumptions based on the legislation currently in force are given in Section 5 and Appendix F of the report.
- 1.11 This report is in compliance with the International Actuarial Association guidelines for reports on social security programs.

2 Introduction and Scope of the Review

- 2.1 The Guernsey Social Insurance Scheme is financed broadly on the pay-as-you-go principle with rates of contribution set to produce the income needed to meet current expenditure on benefits and the costs of administration. With this system of finance, the rates of contribution required may alter significantly over the years, as a result of the maturing of the benefit rights under the scheme or on account of demographic or other factors leading to changes in the relative numbers of pensioners and contributors. For this reason the legislation governing the Guernsey Social Insurance Scheme makes provision for 5-yearly actuarial reviews of the operation of the scheme, including long term projections of the expenditure and of the corresponding rates of contribution likely to be required in future years.
- 2.2 The report on the previous review, covering the period 1 January 1994 to 31 December 1998, was submitted to the President and Members of the Guernsey Social Security Authority in May 2000.
- 2.3 The projections of benefit expenditure and contribution income in this report are based on the legislation in force as at 31 December 2003 plus the changes in the law brought into force on 1 January 2004 to achieve gender equality.
- 2.4 The object of this Review, as stated in Section 102 of the Social Insurance (Guernsey) Law 1978, is to determine the financial condition of the Guernsey Insurance Fund and the adequacy of the contributions payable.
- 2.5 The finances of the Guernsey Social Insurance Scheme are planned so that the Fund is maintained as a contingency reserve. The aim is to maintain its value in real terms by retaining investment income. This strategy is reflected in the projected contribution rates quoted in this review. With the pay-as-you-go nature of financing, the Fund will remain adequate to meet this objective over future years, provided contribution rates are maintained at levels sufficient to generate the income necessary to meet current expenditure. One of the objects of the review is therefore to establish the contribution rates likely to be required for this purpose in the future.
- 2.6 One of the main factors liable to produce a significant change in the contribution rates needed in future to keep income and expenditure in balance is a change in the relative numbers of contributors and pensioners in future. These factors are mainly demographic but include also social and economic factors such as changes in the proportion of women in employment, or in the rate of unemployment and the levels of immigration.

- 2.7 The projected demographic developments are discussed in Section 3. Very significant changes in the age structure of the population are expected to occur in the second, third and fourth decades of this century. The numbers over state pension age will be increasing steeply at a time when the numbers at working ages are stationary or declining, leading to a marked fall in the ratio of the number of contributors to the number of pensioners.
- 2.8 The review shows the effects if benefits and earnings limits are up-rated in future in line with increases in prices or in line with increases in earnings. The estimates for income and expenditure are expressed in 2003 earnings terms. Since both income and expenditure are increased, the actual level of increases is not material although the difference between them is. We have assumed that the future difference between the annual increase in earnings and the annual increase in prices will be 2 percentage points. Where an assumption about the actual levels has been necessary, as for example in the calculation of the build-up of the Fund, a rate of increase of 3 per cent a year for prices has been assumed. Where the actual increases in benefits, earnings limits and earnings since 2003 are known, they have been used.
- 2.9 Projections for such long periods ahead are inevitably subject to considerable uncertainty and this must be taken into account in considering the implications of the figures. In particular, regard should be had to the potential variation in future contribution rates as a result of changes to the more important variables. Section 4 and Appendix F shows the effect of changes in the level of future net migration. Section 5 of the report gives estimates of the effect on the rates of contribution required for specimen changes in other assumptions which affect future income and outgo, in order to bring out the sensitivity of the estimates to variation in the underlying assumptions.
- 2.10 Throughout it was assumed that the supplementary States grant would remain at its current level of 50 per cent of contribution income, so that contributions from insured persons and employers would continue to meet about 66.7 per cent of expenditure and the States would pay for the remaining 33.3 per cent. The States grant was reduced from 57 per cent of contribution income to 50 per cent of contribution income from 1 January 2004.

3 The Demographic Assumptions

- 3.1 In order to project the future income and expenditure of the Guernsey Social Insurance Fund, it is necessary first to estimate the future numbers in the population of Guernsey subdivided by age and sex. The starting point is the Census estimate of the population in 2001.
- 3.2 Estimates of the future population many years ahead are inevitably subject to a considerable margin of uncertainty. Migration to and from Guernsey is particularly difficult to predict and it is for this reason that we have based our projections on two different migration assumptions. These are:
- (i) Zero net migration from 2001.
 - (ii) Net migration of 200 a year for all future years from 2001.
- 3.3 These have been chosen to demonstrate the effect migration has on the results and should not be regarded as predictions of the future levels of migration.
- 3.4 Those persons who will be over the pension age of 65 up to the middle of this century are already living. Apart from the effects of the different assumptions for migration, the projected numbers of pensioners will be very largely determined by the assumption about future mortality. The rates assumed have been based on the experience over recent years, with an allowance made for continuing improvement in mortality for the period of the projection. For the main estimates in the report, reductions in mortality rates over the next 60 years are projected to result in an increase in life expectancy of about 8%.
- 3.5 Mortality is of much less significance in determining the future numbers at working ages, but after about 20 years the numbers at these ages will depend to an increasing extent on the projected numbers of births. The fertility rates for women at each age in recent years have totalled between 1.4 and 1.5 children per woman. It has been observed that long-term trends in fertility in Guernsey have followed those in England and Wales, although at a different level, being lower at younger ages and slightly higher at older ages. We have therefore assumed that this relationship will continue in the future, with the result that the ultimate “total period fertility rate” will be 1.42. This is about 33 per cent below the rate of 2.1 required for each generation exactly to replace itself.
- 3.6 Particulars of the projected future numbers in the population, by age and sex, are shown in Appendix C. A summary of the future numbers in the age bands most relevant for this review is given in Table 3.1, assuming net migration of 200 per year.

Table 3.1: Summary of projection of total population of Guernsey assuming immigration of 200 a year

Age group	2003	2008	2013	2023	2033	2043	2053	2063
Children (0-15)	11,159	10,410	9,800	9,333	9,208	8,601	8,218	8,046
Working ages (16-64)	41,121	42,190	41,958	40,961	38,431	37,121	35,859	33,893
Pensionable ages (65 and over)	10,154	10,689	12,349	15,220	18,230	19,001	18,729	18,745
Total	62,434	63,289	64,107	65,514	65,868	64,723	62,805	60,684
Number at working ages per person over pension age	4.0	3.9	3.4	2.7	2.1	2.0	1.9	1.8

- 3.7 On the basis of the projections, the numbers resident in Guernsey over the current pension age of 65 will rise slowly from about 10,200 in 2003 to about 10,700 in 2008. The number will then rise more rapidly to a peak of between 18,300 and 19,100 by 2038, which is 80 to 88 per cent above current numbers, depending on the migration assumptions. It will then start to fall. The projected numbers over pension age are higher at this review than at the last because more rapid mortality improvement has been assumed for the future.
- 3.8 By contrast, the numbers at working ages are close to their maximum in 2003 and are projected to fall in the future. The pattern of change varies with the migration assumptions. With zero net migration, the number will fall to 91 per cent of the 2003 number by 2023, to 73 per cent by 2043 and to 58 per cent by 2063. With the 200 a year migration assumption, the numbers are expected to rise by about 2 per cent by 2013 and then fall to 82 per cent by 2063. The fall in the numbers at working ages is due mainly to the fall in fertility rates to below the level required to replace the population. The projected numbers of working age are lower at this review than at the last because projected fertility is lower, in line with the most recent data.
- 3.9 The number of persons of working age per person over pension age, the main demographic determinant of the contribution rate required, is projected to fall from 4.0 in 2003 to 1.8 by 2063, assuming net migration of 200 per year. If we assume nil net migration, the ratio is projected to fall to 1.5 by 2063. At the last review, the projected evolution of this ratio was similar to begin with but fell more slowly to reach 2.3 by 2058 due to the higher birth rate and slower mortality improvement adopted then.

3.10 When looking at the financial burden of a pay-as-you-go social security arrangement, it is also necessary to take into account the proportions of the working population at different ages who are expected to be contributors and the proportion of the elderly who will be in receipt of pensions, including those paid to people overseas. The detailed assumptions used to estimate these are set out in Appendix D. Table 3.2 shows the resulting projected numbers of contributors and pensioners and the contributory support ratio, i.e. the number of contributors per pensioner in future, assuming migration of 200 per year. The numbers for the nil migration assumption are shown in Appendix C.

Table 3.2: Summary of projected numbers of contributors and pensioners assuming immigration of 200 a year

Year	Contributors	Pensioners	Contributors/ Pensioners
2003	33,298	12,524	2.7
2008	35,157	13,464	2.6
2013	35,447	15,726	2.3
2023	34,702	19,489	1.8
2033	32,662	23,269	1.4
2043	31,516	24,246	1.3
2053	30,400	23,910	1.3
2063	28,833	23,946	1.2

3.11 The projected future trend in the contributory support ratio shown above is similar to that for the numbers of people at working age to those of pension age shown in paragraph 3.9. The ratios are, however, significantly lower than for the pure demographic support ratios, as the numbers of contributors are lower than the numbers in the population at working ages, whilst the numbers in receipt of old age pension exceed the numbers in the population over pension age when allowance is made for overseas cases.

3.12 The numbers of both contributors and pensioners are higher initially than at the last review. The higher contributor numbers are mainly the result of the better economic prospects now than at the last review. The higher pensioner numbers are in line with the latest data.

4 The Estimated Outgo and the Rates of Contribution projected to be Required in Future Years

- 4.1 Estimates have been made of income and expenditure on benefits and administration in future years, in the manner and on the assumptions described in the preceding section of the report and in more detail in Appendix D.
- 4.2 Particulars of the estimated expenditure on the various types of benefit are given in Appendix G.
- 4.3 Table 4.1 sets out estimates of future expenditure from the Insurance Fund and of the full Class 1 contribution rates required in order to break even for both uprating assumptions, assuming migration of 200 per year. The contribution rates are expressed as a percentage of earnings up to the upper earnings limits.

Table 4.1: Estimates of future expenditure from the Insurance Fund (at 2003 earnings levels) and the full Class 1 contribution rates required in order to break even

Year	Uprating benefits and earnings limits			
	In line with prices		In line with earnings	
	Expenditure	Contribution rate	Expenditure	Contribution rate
	£000's	%	£000's	%
2003	63,498	6.4%	63,498	6.4%
2008	61,997	6.1%	66,772	6.4%
2013	63,402	6.5%	74,968	7.1%
2023	63,691	7.4%	90,933	8.8%
2033	62,427	8.7%	107,804	11.1%
2043	54,379	9.1%	113,311	12.1%
2053	44,761	9.1%	112,217	12.4%
2063	37,136	9.4%	111,893	13.1%

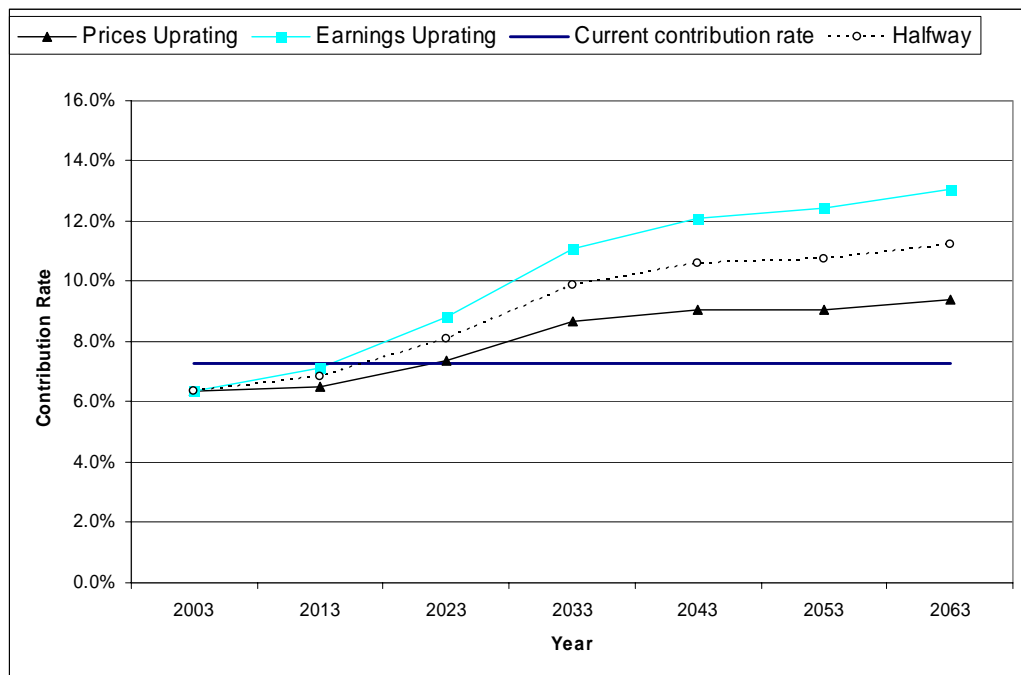
- 4.4 The results set out in Table 4.1 show the estimated expenditure in terms of 2003 earnings levels in selected future years and the estimated Class 1 contribution rate, excluding contributions for health insurance and long-term care, which would be required in order to break even, assuming

- (i) contribution rates for self-employed and non-employed contributors are changed pro rata to the Class 1 rate;
- (ii) a States grant of 50 per cent of contribution income; and
- (iii) no recourse to investment income.

4.5 These estimates of income and expenditure for future years indicate that present contribution rates of 7.3% should be adequate at least until 2013, without having recourse to investment income, until 2028 before assets need to be sold and until 2038 before the fund is reduced to less than one year's benefit payments assuming up-ratings in line with earnings. The position of the fund will be better than this if future up-ratings fall short of earnings increases.

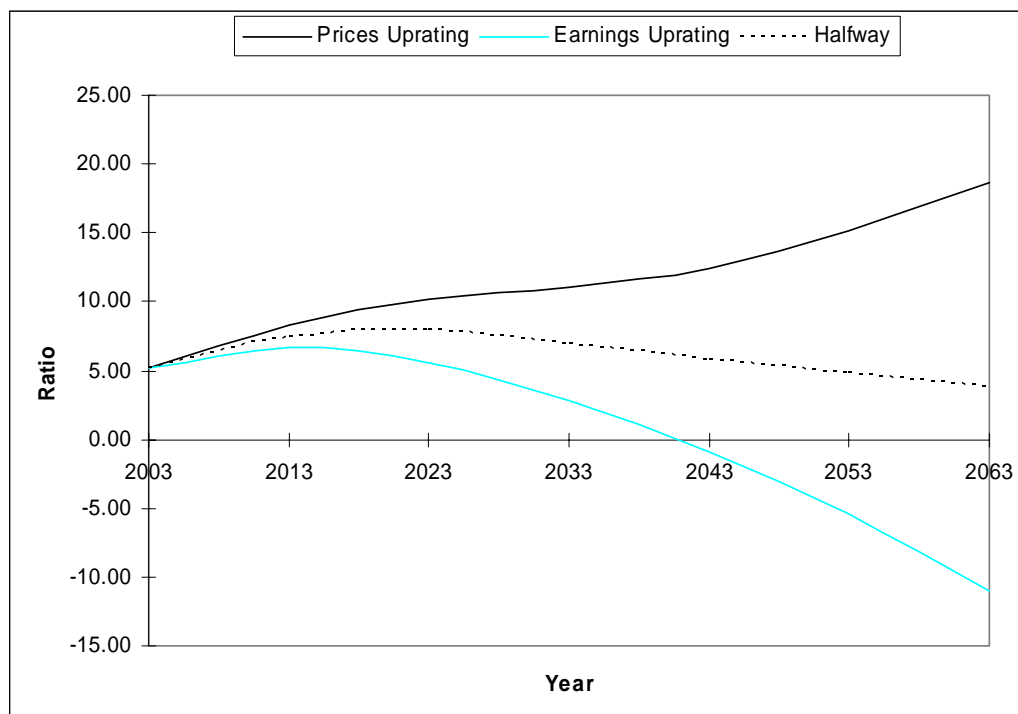
4.6 It will be seen that the break-even contribution rate for Class 1 (employees and employers combined) is estimated to increase over the next 40 years to between 9.5% and 13.1%, depending on the level of benefit up-ratings in the future (see Figure 4.1 below). From Appendix F, it can be seen that the alternative migration assumptions would also have a considerable effect, varying the projected contribution rate in 2063 by more than 2%.

Figure 4.1: Breakeven contribution rate assuming future immigration of 200 a year and real earnings growth of 2%



- 4.7 If the contribution rates in Table 4.1 were to be applied in practice, and if the assumptions underlying the estimates exactly fitted the experience in future years, then the entire investment income would be available for reinvestment and the balance in the Fund would grow rapidly. On this basis, and assuming that the real rate of return on investments net of prices is 3.5 per cent a year, the Fund would rise steadily to reach 23 times annual expenditure by 2063, assuming up-ratings in line with prices, and about 8 times annual expenditure if up-ratings are in line with earnings increases.
- 4.8 The position of the Fund if the current contribution rates were maintained, rather than being increased when necessary to avoid using the investment income for benefit expenditure, is somewhat different. Assuming the same real rate of return on investments as above, the Fund would increase to reach about 18 times the annual expenditure by 2063 assuming up-ratings in line with prices. If up-ratings were in line with earnings, the Fund would increase to about 7 times annual expenditure by 2011 and then decline as a multiple of annual expenditure to reach a level of less than 1 year's expenditure by 2038. Assuming zero net migration would give similar results, but with a lower and earlier maximum. Actual upratings in recent years have been between prices and earnings and Figure 4.2 shows the projected range of results if the up-rating policy continues as at present. If we assume future upratings half-way between prices and earnings, then the fund would increase to almost 8 times annual expenditure by 2022 and then decline slowly to reach about 3 times annual expenditure by 2063. The operating surplus (contributions plus States grant minus benefit and administration expenditure) is projected to remain positive until 2022 assuming prices up-ratings and until 2014 assuming earnings up-ratings.

Figure 4.2: Average fund to expenditure ratio assuming future immigration of 200 a year and real earnings growth of 2%



4.9 The progress of the fund is showing a similar pattern to that seen at the last review, although it is at a slightly higher level. The fund has been affected by a number of factors, which have more or less cancelled each other out. The gender equality changes have had little effect over the long term but they have improved the position of the fund in the short term because of the extra contributions being paid. The population projections have produced more people over pension age because of decreasing mortality but the effect of this has been compensated for by a smaller assumed growth in overseas pensioners. The population projections have also produced fewer people of working age because of lower fertility but this has been negated to a large extent by the higher economic activity and lower unemployment assumed at this review. The real rate of return on investments that has been assumed at this review has been lower than that assumed at the last review, resulting in the projected interest earned on the Fund being lower than at the last review.

4.10 It is not possible to predict the future of the Guernsey economy but the two uprating assumptions and two migration bases illustrate how the finances of the Insurance Fund could be affected by a range of scenarios. The number of pensioners has already been determined for some years to come, reflecting the numbers who have actually contributed in past years. As the scheme matures, and expenditure reaches an ultimate level in real terms, the required rate of contribution to break even will increase considerably if benefits increase each

year in line with the general level of earnings. The required rate of contribution will increase rather slower if benefit increases are in line with the increase in prices, and will stabilise about 2038.

- 4.11 Continuing net inward migration would lead to an increase in contributors, or at least a slow down in the reduction in numbers caused by the birth rate being insufficient to replace the population, and this would in turn lead to a slow down in the rise in the required contribution rate. However, eventually continuing immigration would give rise to increased expenditure. If at that stage immigration is reduced, contribution rates will rise sharply, although such a scenario is not illustrated. To the extent that the numbers working in Guernsey can be controlled, there is some scope for controlling the future social insurance contribution rate, as illustrated by the above estimates.
- 4.12 If benefit and earnings limits are up-rated in line with prices rather than earnings, then the cost of benefits is considerably reduced over a 60 year period but the earnings on which contributions are levied are not reduced by the same amount. This is because the contributions paid for those earning less than the upper earnings limit will increase in line with earnings and so will increase faster than the benefit rates. As a result, the contribution rate needed is lower and, for those with higher earnings, will be levied on a lower proportion of their earnings.
- 4.13 The effect of increasing pensions in line with prices rather than earnings is that the living standards of pensioners will not keep up with the rise in living standards of the working population. For example, if the difference between the increase in prices and the increase in earnings is 2% a year, then over a 60 year period an income up-rated in line with prices will be about one-third of the same original income up-rated in line with earnings.
- 4.14 For this review, all estimates have been based on the average levels of economic activity and unemployment during the last economic cycle. The effects of unemployment varying from this level are shown in Section 5. The relationship between migration and unemployment is too complex, and the future relationship too speculative, to associate particular levels of unemployment with particular levels of migration.
- 4.15 The levels of the required contribution rates are slightly lower than those in my previous report where the migration assumptions are comparable, for the reasons outlined in paragraph 4.9. However, the level of the Fund as at 31 December 2003 was lower than was expected at the last review because of the worldwide decline in the value of stocks. Overall, the position of the fund is slightly more favourable at this review if the contribution rate is held constant. It should be noted that the surplus generated each year is the difference between two much larger numbers (the income from the contributions and States grant and the expenditure on benefits and administration) and small changes in either of them

could result in large changes in the surplus. This could have a significant effect on the development of the Fund

5 Effect of Variation of Some of the Assumptions

- 5.1 The estimated amounts of contributions and benefits are dependent on the assumptions made about the future. The effects of different assumptions about migration are shown in Appendix F. The effects of variations in other significant assumptions are discussed below.

States grant

- 5.2 The main estimates have been made on the assumption that the States grant will continue to be paid at the rate of 50 per cent of the contributions. The figure of 50 per cent was chosen because it is the level which, roughly, provides the difference between the contributions which would have been paid if everybody contributes at the upper earnings limit (UEL) and the contributions actually paid. This figure is reviewed from time to time to ensure that it is still meeting the criterion.
- 5.3 If earnings limits are increased in line with earnings, the States grant of 50 per cent of contributions is expected to continue to provide the required amount. However, if earnings limits are uprated in line with prices, then they will fall relative to average earnings. In consequence the difference between actual earnings and the UEL will fall and the amount of grant required to make up the difference in contributions will also fall. The reduction in the amount of the grant would produce contribution rates which are virtually the same as for those produced with up-ratings in line with earnings increases.

Unemployment

- 5.4 The number unemployed is very hard to predict (it has varied from between just under 100 to almost 1000 since 1983). Past experience shows that an increase or decrease in unemployment is associated with a decrease or increase in the numbers employed of several times larger when the number unemployed is in excess of 200. The total effect on the fund is a combination of the higher / lower unemployment benefit and the lower / higher contributions. The effect of a change of 100 unemployed on this basis is to alter the required contribution rate by about 0.2%. However, with the recent very low levels of unemployment, there has been no observable connection between changes in the numbers unemployed and changes in the number employed. Therefore we would only expect a change of 0.2% for an increase of 100 in the numbers unemployed: any decrease from the long-term assumption of 200 unemployed would have a negligible effect on the contribution rate.

Earnings Increases

- 5.5 The main estimates have assumed that earnings increase at 2 per cent a year net of prices. If real earnings increased by 1.5 per cent a year instead, the required

contribution rate would be higher. The effect would be greatest with prices up-ratings, where the benefit rates are unchanged, although the contributions would be smaller because of lower earnings. The difference in the required contribution rate would reach its maximum of about 0.5% in 2043. Thereafter the difference would decrease, as more contributors are above the upper earnings limit (UEL) and so their contributions are determined by the UEL (which is up-rated in line with prices) rather than by the increase in earnings. The effect if up-ratings are in line with earnings is small and comes about because some costs are not related to the benefit rates (the increases in both travel allowance grant and the administration costs are partially related to the increase in prices). This effect will slowly increase to produce a difference in the required contribution rates of about 0.15% by 2063.

- 5.6 The fund will be slightly smaller as a multiple of expenditure assuming prices up-ratings but it will continue to increase assuming 200 a year net migration. Assuming earnings up-ratings the amount of the fund will be smaller, but it will be little different as a multiple of annual expenditure.

Demographic Factors

- 5.7 Variations in mortality and fertility could have a significant effect on the results. If the expectation of life varied by 1 per cent from that assumed in the main projections, then the required contribution rate would alter by between 0.3% and 0.5% by 2063. If the total period fertility rate varied by 0.1 from that assumed in the main projections, then the required contribution rate would alter by between 0.7% and 1% by 2063.
- 5.8 The results are very sensitive to the level of economic activity. A reduction of 1 per cent would increase the required contribution rate by about 0.5% and is sufficient to cut the current yearly surplus in half.

A Summary of Contributions and Benefits as at 31 December 2003

- A.1 This appendix summarises the principal provisions regarding Insurance contributions and benefits in the Social Insurance (Guernsey) Law 1978 on which the estimates for future years in this review are based. It concentrates on those aspects of contribution liability and benefit entitlement which are significant in financial terms.
- A.2 In order to receive pension at a full rate, the pensioner must have paid or have been credited with at least 50 contributions a year on average for the period since 1 January 1952, or from age 20 if later, with a maximum of 45 years. A woman who was already married on 1 January 2004 can substitute 62% of their husbands' contribution record up to 31 December 2003 if it would result in a better pension than that to which she would be entitled to from her own. Also, from 1 January 2004, pensions at the lower rate will be awarded to married women only if they reach 65 in the 10 years following 1 January 2004 and this would give a better pension than their personal one. A pensioner can receive the amount of their spouse's pension after the spouse has died, instead of their own, if this would result in a higher pension.
- A.3 An allowance is payable to widowed parents until their youngest child leaves school (or reaches 19) based on their late spouses' contribution records. A bereavement allowance lasting 1 year is payable to a surviving spouse who is not entitled to a widowed parent's allowance. A lump sum bereavement payment is paid to the spouse of all insured persons who die, including those over pension age. The contribution conditions for bereavement benefits are similar to those for old age pension, except that the date of death is used instead of the date at which the insured person reaches 65.
- A.4 If the contribution conditions are met, a benefit is paid when an insured person is sick or unemployed. Benefit is not paid for the first 3 days of a claim. If a person is sick for more than six months, they become entitled to invalidity benefit. The contribution conditions for these benefits are that at least 26 contributions have been paid at some time and that 50 contributions were paid or credited in the last complete contribution year. If the second condition is not met, then the benefit is still paid, but is reduced pro rata to the number of contributions.
- A.5 A mother is entitled to a maternity allowance for a maximum of 18 weeks, beginning no earlier than eleven weeks before the expected date of birth, if she satisfies the contribution conditions. These are that at least 26 contributions have been paid at some time in the past and at least 26 contributions have been paid or credited in the last complete contribution year. If the second condition is not met, then the benefit is still paid, but is reduced pro rata to the number of contributions. If a maternity allowance is not paid then a maternity grant may be payable

- A.6 A death grant is paid for all deaths in Guernsey of persons born after 6 June 1906 provided the contribution conditions are met by the deceased, their spouse or one of their parents. The conditions are that at least 26 contributions have been paid or credited since 7 June 1971 and that at least 45 contributions were paid or credited in the last complete contribution year, or that the average since entry into insurance is 45 a year.
- A.7 A travelling allowance grant can be paid for an insured person or their child to cover the cost of travelling from Guernsey or Alderney for the purpose of receiving medical treatment. The grant is only available if a doctor has certified that treatment is necessary which is not available in Guernsey or Alderney.
- A.8 Limited medical benefit is paid to an insured person who has an accident not covered by industrial injuries benefits. The benefit assists with the cost of medical treatment needed as a result of the injury. This benefit was discontinued for injuries taking place after 31 December 1995.
- A.9 An insured person who has an accident at work or suffers a prescribed disease is entitled to industrial injuries benefits. There are three such benefits:
- A.10 Industrial medical benefit covers the cost of any medical treatment needed as a result of the injury.
- A.11 Industrial injury benefit is paid for any period during which the insured person is unable to work as a result of his injury. This benefit will last only six months after which the insured person will be entitled to invalidity benefit if they satisfy the contribution conditions.
- A.12 Industrial disablement benefit is paid if the injury results in some disablement. The amount of the benefit depends on the degree of disablement.

Table A.1 shows the weekly standard rates of benefit in force between 1999 and 2003.

Table A.1: Weekly standard benefit rates

Year	1999	2000	2001	2002	2003	2004
Old Age Pension	98.00	101.25	107.25	112.50	121.00	130.00
Married Woman's Old Age Pension	59.75	61.75	65.50	68.75	69.50	70.00
Widowed Parent's Allowance	96.50	99.75	105.75	111.00	115.50	141.25
Sickness Benefit	70.56	72.84	77.22	81.06	84.30	99.00
Invalidity Benefit	81.12	83.70	88.74	93.18	96.90	120.00
Unemployment Benefit	70.56	72.84	77.22	81.06	84.30	99.00

* All benefits are expressed as £ per week

It should be noted that:

- (i) Proportionately reduced rates are payable when the contribution record is not complete, for example in the case of a pension payable to a person who spent only part of his or her working life in Guernsey.
- (ii) The married woman's old age pension rate will only be paid to married women already receiving this benefit at 1 January 2004 and to some new awards to married women in the ten years after this date. All other married women will receive pensions based on the rate in the row above.

A.13 In the five year period from January 1999 until January 2004, benefit rates increased by about 26 per cent, excluding the changes brought about by the gender equality legislation and the transfer of benefit from the married woman's rate of old age pension to the insured person's rate. The increase in the retail prices index over a similar period was 20 per cent and the increase in earnings was about 43 per cent. In the previous five years benefit rates increased by about 20 per cent. Over this period the retail prices index increased by 17 per cent and the increase in earnings was about 24 per cent.

A.14 Particulars are given in Table A.2 of the principal rates of contribution payable to the Insurance Fund (i.e. excluding contributions allocated to the Guernsey Health Service Fund and the Long-Term Care Fund as provided in Section 101 of the Law) and of the various limits concerning the earnings to which those contribution rates are to be applied. The increase in the upper earnings limit in the five years to January 2004 was about 29 per cent, and that for the lower earnings limit was about 24 per cent, which is similar to the increases in benefit rates.

Table A.2: Contribution rates and earnings limits

Year	1999	2000	2001	2002	2003	2004
Lower Earnings Limit	70	72	76	80	83	87
Upper Earnings Limit	483	498	531	564	591	621
Earnings Threshold	35	36	N/A	N/A	N/A	N/A
Employer Contribution Rate	4.1%	4.1%	4.1%	4.1%	4.1%	4.1%
Employee Contribution Rate	3.2%	3.2%	3.2%	3.2%	3.2%	3.2%
Total Employed Contribution Rate	7.3%	7.3%	7.3%	7.3%	7.3%	7.3%
Self Employed Contribution Rate	6.3%	6.3%	6.3%	6.3%	6.3%	6.3%
Non Employed Contribution Rate	5.7%	5.7%	5.7%	5.7%	5.7%	5.7%

* All limits are expressed as £ per week

A.15 Non-employed persons are required to pay contributions but there are exceptions. Persons who have attained age 60 can elect not to pay and those below age 60 whose income from all sources is less than the annual equivalent of twice the weekly lower limit can apply for exemption on the grounds of low income. Normally employed persons, whose non-employment can reasonably be regarded as temporary, are also exempt. These contributions are income related up to the level of the upper earnings limit used for employed persons. From 1 January 2004 a new voluntary flat-rate contribution has been introduced for people who would be exempt from payment on the grounds of income.

A.16 Self-employed persons with earnings from self-employment below the lower limit who are not engaged full-time in self-employment are not required to pay self-employed contributions but are treated as non-employed.

A.17 Neither the employee nor the employer is required to pay an employed person's contribution when earnings are below the lower earnings limit; in such cases the employee will normally be required to contribute as non-employed.

B Fund, Accounts and Legislation from 1999

B.1 The transactions of the Insurance Fund in the period from 1 January 1999 to 31 December 2003 are summarised in Table B.1. (A more detailed breakdown of the benefits is shown in Table B.2).

B.2 All items of income and expenditure have increased substantially, in most cases broadly in line with inflation. Income from contributions and States grants exceeded expenditure in all the years under review and the total income over the five years exceeded the expenditure. The total return from the investments has been quite small, because of the worldwide slump in stock prices which has occurred during this period, and this has meant that the Fund has increased in size by about 18 %. This, in turn, has meant that the mean fund is now about five and a quarter times the annual expenditure compared with six times at the last review.

Table B.1: Summary of income and outgo and balances of the Guernsey Insurance Fund in the period 1 January 1999 to 31 December 2003

Year		1999	2000	2001	2002	2003
Balance at 01/01		310,287	368,656	376,712	348,469	301,371
Income	Contributions	35,339	37,451	40,609	43,750	46,465
	State Supplement	20,130	21,334	23,129	24,920	26,471
	Total Income	55,470	58,785	63,737	68,670	72,936
Outgo	Benefits	46,826	49,906	52,814	56,218	60,653
	Admin Costs	2,809	2,944	2,741	2,917	2,845
	Total Outgo	49,635	52,850	55,554	59,134	63,498
Operating surplus		5,835	5,935	8,183	9,536	9,438
Investment return		52,534	2,121	-36,425	-56,634	53,826
Balance at 31/12		368,656	376,712	348,469	301,371	364,635
Average fund throughout year		339,472	372,684	362,591	324,920	333,003
Ratio Income/Outgo		1.12	1.11	1.15	1.16	1.15

*All amounts are £000s

*Investment Income includes income and capital gain (realised and unrealised)

B.3 Under the present accounting system, the balance in the Fund each year takes investments into account at market value and, correspondingly, investment income for the year includes unrealised as well as realised gains or losses. As part of the yield on the investments comes in the form of capital gains, this method has the advantage of showing the full yield on the Fund's investments each year rather than just that part which was received in cash, either through sales in the year or receipt of dividends etc. Fluctuations of market values, however, introduce a somewhat greater element of volatility into the results from one year to another. The average rate of return on this basis over the period 1 January 1999 to 31 December 2004 was 1 per cent a year.

Table B.2 shows a detailed breakdown of the benefit expenditure.

Table B.2: Expenditure on social insurance benefits in the period 1st January 1999 to 31st December 2003

Year	1999	2000	2001	2002	2003
Old age pension	38,173	40,723	43,220	46,178	50,091
Widows	1,900	2,010	1,990	2,051	2,182
Sickness benefit	1,356	1,416	1,506	1,601	1,678
Invalidity benefit	2,957	3,110	3,296	3,469	3,562
Industrial injuries benefit	224	197	191	177	204
Travel Allowance Grant	829	1,017	1,151	1,192	1,172
Unemployment Benefit	232	241	195	239	304
Limited Medical	4	3	4	5	1
Industrial Medical	136	122	131	130	104
Industrial Disablement	435	424	485	526	555
Maternity Benefit	457	499	501	502	638
Death Grant	118	140	140	148	161
Guardians Allowance	1	1	1	0	0
Childs special allowance	1	2	2	1	1
Total	46,826	49,906	52,814	56,218	60,653

* All amounts are £000s

Changes in Legislation Since the Last Review

- B.4 The widow's allowance was replaced by a lump sum payment called survivor's grant from 1 January 2000. Also from this date, the conditions under which maternity benefits were changed.
- B.5 The threshold, which was the entry point to payment of contributions, was abolished from 1 January 2001 and the lower earnings limit took its place.
- B.6 A number of changes were made from 1 January 2004 in order to achieve gender equality. In summary, the married woman's option was abolished, women married at this date could substitute 62% of their husband's record for their own if they wished, dependency additions were abolished and the personal element of incapacity and unemployment benefits was increased in compensation, widow's pension was abolished, a bereavement allowance was introduced which is payable for one year to surviving spouses under pension age, the lump sum survivor's grant was renamed bereavement payment and also made payable for deaths over pension age, men were able to inherit their late wives' old age pension as well as women inheriting their late husbands', family allowance credits were introduced for any parent remaining at home to care for a child aged under 16 and a new voluntary contribution was introduced for non-working people with incomes below the lower income limit.

C The Projected Future Population of Guernsey

Table C.1: The projected future population of the Bailiwick of Guernsey from mid-year 2003 to mid-year 2063 assuming net future migration of zero.

Year		2003	2013	2023	2033	2043	2053	2063
Male	0-9	3343	2746	2582	2360	2020	1845	1691
	10-19	3802	3338	2743	2580	2358	2018	1844
	20-29	3819	3958	3499	2908	2746	2525	2187
	30-39	4565	3639	3780	3326	2741	2581	2361
	40-49	4515	4480	3571	3715	3268	2690	2533
	50-59	4338	4382	4360	3485	3633	3199	2636
	60-69	2987	4017	4103	4104	3300	3452	3043
	70-79	1997	2433	3373	3511	3541	2878	3031
	80-89	805	1067	1463	2129	2304	2354	1962
	90-99	116	162	274	423	668	782	816
	100+	1	4	9	20	35	63	84
Female	0-9	3150	2617	2460	2248	1924	1757	1611
	10-19	3642	3196	2665	2508	2296	1973	1806
	20-29	3863	3929	3485	2955	2799	2587	2265
	30-39	4854	3629	3697	3256	2728	2573	2362
	40-49	4523	4688	3477	3548	3110	2587	2434
	50-59	4363	4426	4594	3415	3490	3062	2549
	60-69	2980	4142	4225	4401	3283	3365	2955
	70-79	2558	2626	3719	3835	4013	3011	3104
	80-89	1463	1648	1867	2751	2909	3058	2327
	90-99	335	379	520	679	1072	1209	1273
	100+	10	13	22	40	61	107	136
Male	0-15	5660	4667	4190	3901	3390	3024	2782
	16-64	20279	19886	18511	16493	15098	13642	11945
	65+	4349	5674	7057	8166	8123	7719	7460
	Total	30288	30227	29758	28560	26611	24386	22188
Female	0-15	5373	4453	4001	3726	3239	2891	2660
	16-64	20563	20165	18655	16347	14753	13407	11778
	65+	5805	6675	8074	9561	9692	8991	8382
	Total	31741	31293	30731	29634	27685	25289	22821
Total	0-15	11033	9120	8191	7626	6630	5915	5443
	16-64	40841	40051	37166	32841	29851	27049	23724
	65+	10154	12349	15131	17727	17815	16710	15842
	Total	62029	61519	60488	58194	54296	49674	45009

Table C.2: The projected future population of the Bailiwick of Guernsey from mid-year 2003 to mid-year 2063 assuming net future immigration of 200 a year

Year		2003	2013	2023	2033	2043	2053	2063
Male	0-9	3382	2946	2928	2843	2622	2548	2489
	10-19	3842	3577	3143	3125	3041	2819	2746
	20-29	3859	4197	3936	3505	3488	3405	3185
	30-39	4605	3878	4217	3960	3534	3519	3436
	40-49	4555	4718	4005	4346	4094	3675	3661
	50-59	4342	4519	4689	4008	4348	4106	3700
	60-69	2987	4021	4232	4416	3795	4132	3907
	70-79	1997	2433	3377	3623	3812	3312	3630
	80-89	805	1067	1463	2132	2381	2539	2262
	90-99	116	162	274	423	669	811	884
	100+	1	4	9	20	35	63	87
Female	0-9	3188	2812	2793	2713	2502	2432	2375
	10-19	3682	3435	3059	3041	2961	2750	2680
	20-29	3903	4168	3923	3549	3531	3451	3241
	30-39	4894	3869	4136	3892	3520	3503	3423
	40-49	4563	4926	3914	4182	3942	3574	3558
	50-59	4367	4563	4927	3943	4213	3980	3620
	60-69	2980	4146	4357	4720	3791	4063	3842
	70-79	2558	2626	3723	3955	4305	3479	3748
	80-89	1463	1648	1867	2754	3004	3286	2693
	90-99	335	379	520	679	1074	1252	1374
	100+	10	13	22	40	61	107	142
Male	0-15	5723	5010	4768	4704	4394	4197	4110
	16-64	20418	20838	20404	19285	18732	18054	17047
	65+	4349	5674	7101	8411	8693	8678	8831
	Total	30491	31521	32273	32399	31819	30929	29988
Female	0-15	5436	4791	4565	4503	4207	4020	3937
	16-64	20703	21120	20557	19146	18389	17805	16846
	65+	5805	6675	8119	9819	10308	10051	9913
	Total	31943	32586	33241	33469	32904	31876	30696
Total	0-15	11159	9800	9333	9208	8601	8218	8046
	16-64	41121	41958	40961	38431	37121	35859	33893
	65+	10154	12349	15220	18230	19001	18729	18745
	Total	62434	64107	65514	65868	64723	62805	60684

Figure C.1: The projected future population of the Bailiwick of Guernsey from mid-year 2003 to mid-year 2063 assuming net future migration of zero

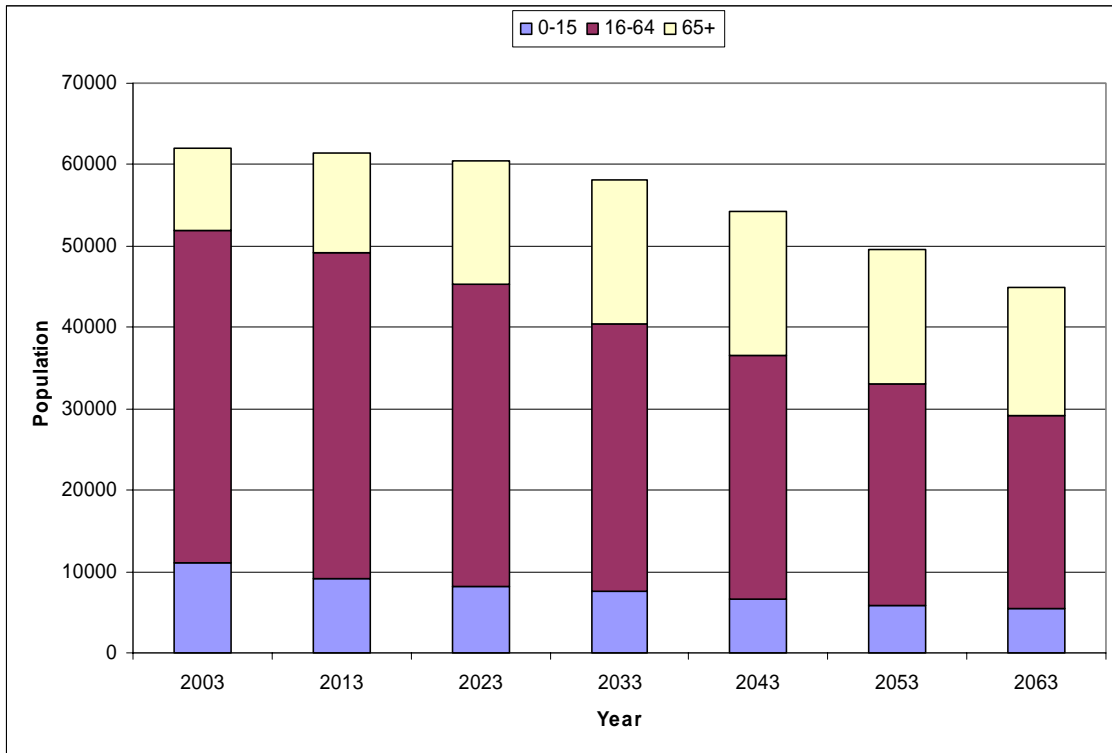
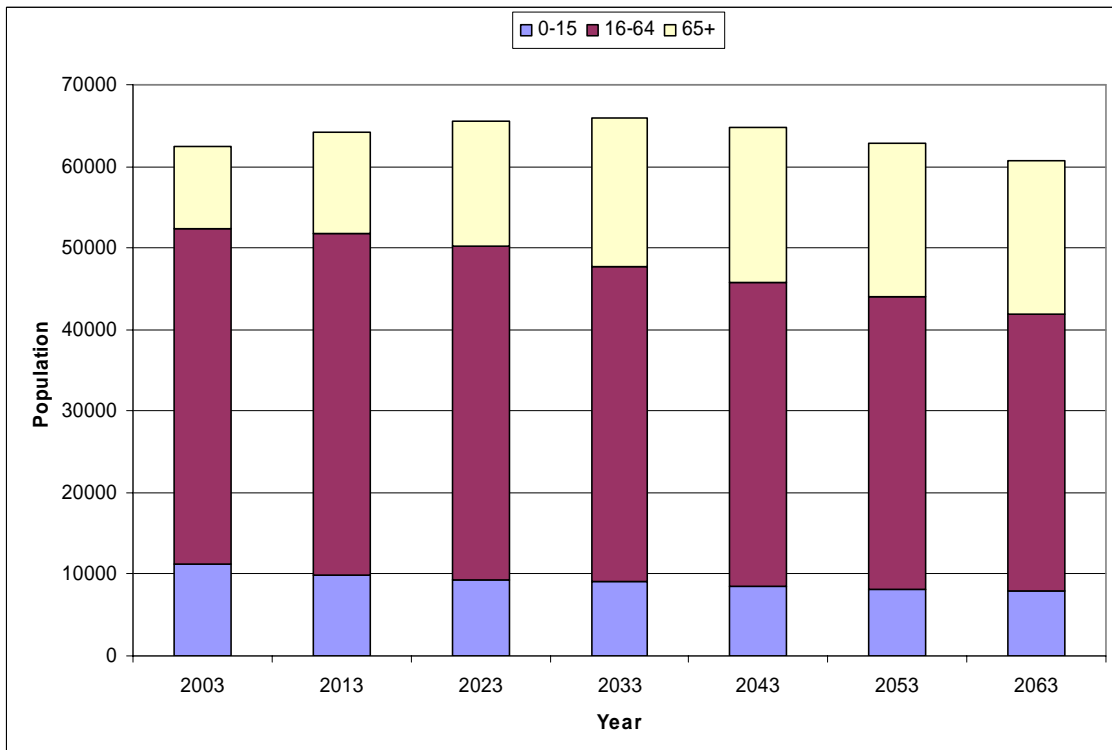


Figure C.2: The projected future population of the Bailiwick of Guernsey from mid-year 2003 to mid-year 2063 assuming net future immigration of 200 a year



D The Technical Assumptions made for the Purposes of the Financial Estimates

D.1 Future expenditure has been calculated on the basis of two different population projections with differing migration assumptions.

(i) Net migration of zero from 2001.

(ii) Net immigration of 200 a year for all future years from 2001.

D.2 The numbers of contributors in future years have been obtained by applying assumed proportions of men and women contributing at each age in the different categories to the projected numbers in the working population. These proportions were derived from statistics of the numbers contributing in the recent past, adjusted for the level of unemployment. The proportions contributing at different ages can vary for reasons other than unemployment. For example, they tend to be low at the older ages (when many have given up work) and at the younger ages (when many are still at school or in further education). They are also much lower for women at the peak child-bearing ages than for other categories. The proportions assumed to be employed contributors increase to a maximum of about 0.85 for men aged 25-34 before declining to about 0.5 by pension age. The proportions for women are assumed to reach a maximum of 0.8 by age 25, to decline to about 0.75 by age 50 and then to 0.35 by pension age. The proportions assumed to be self-employed contributors increase to a maximum of about 0.2 by age 50. The proportions for self-employed women are small.

D.3 Appendix E shows the estimated future numbers paying contributions for both of the assumptions about future migration. In addition to the numbers shown in the table, there will be a number of insured persons who are not paying contributions but who are receiving contribution credits because they are sick, unemployed or are in receipt of family allowance credits, and whose prospective entitlement to old age pension will not be affected by the fact that they are not paying contributions.

Old Age Pension

D.4 An examination has been made of the records available of pensions in payment analysed by age, of new awards of pension, of potential pensions not yet claimed and of persons of working age who have a contribution record. From this it appears that ultimate position has been reached for new awards as far as non-resident pensioners are concerned and it has therefore been assumed that the ratios of pensioners to the population experienced in current new awards will continue in the future. This has been assumed for both males and females.

D.5 The proportion of full rate pension for future awards is assumed to be the same as that for current new awards for males (i.e. 0.655). For females, we have taken into account the effects that the gender equality changes will have on their contribution records but have assumed, as for males, that there will be no further changes due to other factors.

Bereavement benefits

- D.6 The percentage of widows and widowers receiving widowed parents' allowance at each age in the future was assumed to be the average percentage experienced since the last review. The percentages assumed to be receiving bereavement payment were calculated in the same way but were increased to take into account the extra awards which will be made as a result of the gender equality changes. No further awards of widows' pension will be made and so the existing cases will be run-off. It has been assumed that the percentages of widows and widowers receiving bereavement allowance will be the same as those in Great Britain.
- D.7 The proportion of standard rate paid has been fairly variable since the last review. We have therefore assumed that the future proportions for bereavement payment and widowed parents' allowance will be the average since the last review. We have assumed that the proportions for the new bereavement allowance will be the same as that for survivor's grant (now included in bereavement payments), as they are likely to be fairly close. For widows' pension, they are the same people as at 31 December 2003 and so it has been assumed that they continue with the same proportions.

Unemployment Benefit

- D.8 The average unemployment over the period from 1994 to 2003 was 161. In the past, each economic cycle in Guernsey has lasted about 10 years but there has been an unusually long period with a very low unemployment level during this period. For this reason, the main long term rate has been taken as a little higher than this level at 200. Experience shows that the proportion entitled to a benefit depends both on the level of unemployment and whether unemployment is rising or falling. We have taken this into account when calculating a suitable proportion entitled for the projection of future unemployment benefit expenditure.

Sickness Benefit and Invalidity Benefit

- D.9 The number of days of sickness and invalidity benefit paid per contributor has altered little over the period since the last review. We have therefore assumed that future sickness and invalidity will be at the level experienced on average during the years 1999 to 2003.

Industrial injuries benefits

- D.10 The cost of injury benefit per insured person (after allowing for the change in benefit rates) has shown little change since the last review. It has therefore been assumed that the future level of claims will be the same as the average level experienced in the period 1999 to 2003 in relation to the number insured.

- D.11 There is no particular trend over time in the costs for industrial medical benefit. It has therefore been decided to assume that future industrial medical benefit claims will be at the same level as in 2003 in relation to the number insured.
- D.12 The award and termination rates and the average proportion of standard rate for industrial disablement benefit have been fairly stable since the last review and it has been assumed that the average of these rates will apply in the future.

Limited medical benefit

- D.13 This benefit was abolished in 1996, but there has continued to be a (diminishing) cost shown in the accounts, relating to existing claims. We have assumed that it will continue to run down in the future.

Travelling allowance grant

- D.14 The number of grants in relation to the population has been growing for some years. This trend seems to have stopped for males but is continuing for females. We have assumed that the trend will continue at the rate experienced in recent years for the next five years and then reduce so that there is no further increase from 2014 onwards. The cost per grant has grown at a rate somewhere between prices and earnings inflation over the period since the review. It has been assumed that this will continue in the future.

Maternity benefit

- D.15 The claims of maternity grant and maternity allowance per birth and the average duration of maternity allowance have been based on recent experience.

Death Grant

- D.16 The death grant is not paid in respect of those born before 1906 (who would be aged 97 in 2003). This now applies to very few people and the proportion receiving benefit and the average proportion of the full rate can be assumed have reached its ultimate level by the year 2003. The factors used are those experienced in the recent past.

Administration and General Expenses

- D.17 The costs of administering the scheme in future might be expected to be related to the number of contributors and beneficiaries that have to be serviced, although one might also expect fixed costs that are independent of them. In fact, there appears to be little correlation between the costs of administration and the numbers of contributors and beneficiaries.
- D.18 In recent years, the change in the cost of administration has been most closely related to the changes in the levels of prices and earnings. It has therefore been assumed that, in future, the salary-related costs will be increased in line with earnings and the rest will be increased in line with prices. The split between salary-related expenditure and 'other' has been based on the average position since the last review.

Economic Assumptions

- D.19 It has been assumed that the increase in prices is 3 per cent a year and that the real increase in earnings (net of prices) is 2 per cent a year for the main projections. The real rate of return earned on the Fund has been assumed to be 3.5% a year net of prices.

General

- D.20 The assumptions outlined in paragraphs D.2 to D.18 have been based on data supplied by the Social Security Department on the experience of the scheme since the last review.

E Projected Numbers of Contributors and Pensioners under the Different Migration Bases

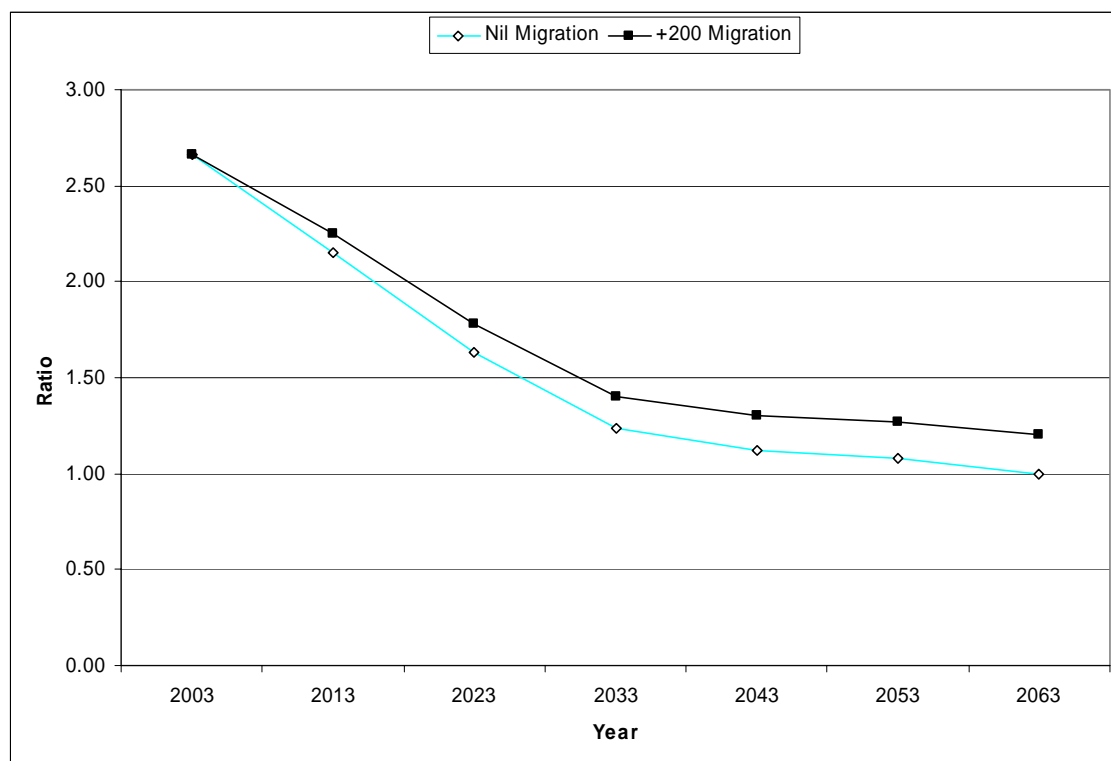
Table E.1: Summary of projected numbers of contributors and pensioners assuming zero net migration

Year	2003	2013	2023	2033	2043	2053	2063
Contributors	33298	33872	31560	27992	25417	22986	20258
Pensioners	12524	15726	19375	22627	22730	21331	20237
Support Ratio	2.66	1.15	1.63	1.24	1.12	1.08	1.00

Table E.2: Summary of projected numbers of contributors and pensioners assuming immigration of 200 a year

Year	2003	2013	2023	2033	2043	2053	2063
Contributors	33298	35447	34702	32662	31516	30400	28833
Pensioners	12524	15726	19489	23269	24246	23910	23946
Support Ratio	2.66	2.25	1.78	1.40	1.30	1.27	1.20

Figure E.1: Projected support ratios under different immigration assumptions



F Estimates of Future Class 1 Break Even Contribution Rates

Table F.1: Estimates of full Class 1 contribution rates required in order to break even without recourse to investment income on the fund assuming 2% Real Earnings Growth

Year	2003	2013	2023	2033	2043	2053	2063
Nil migration, prices uprating	6.4%	6.8%	8.0%	9.8%	10.5%	10.7%	11.4%
Nil migration, earnings uprating	6.4%	7.4%	9.6%	12.5%	14.0%	14.6%	15.6%
+200 migration, prices uprating	6.4%	6.5%	7.4%	8.7%	9.1%	9.1%	9.4%
+200 migration, earnings uprating	6.4%	7.1%	8.8%	11.1%	12.1%	12.4%	13.1%

Figure F.1: Estimates of full Class 1 contribution rates required in order to break even without recourse to investment income on the fund assuming 2% Real Earnings Growth

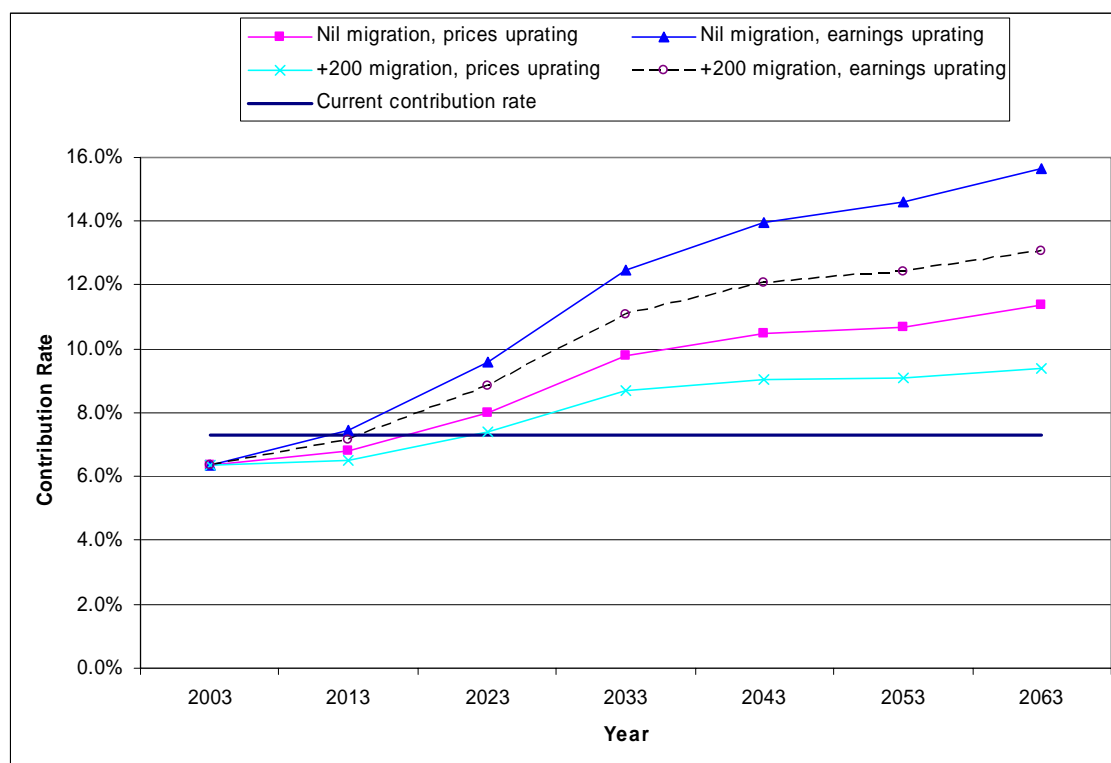
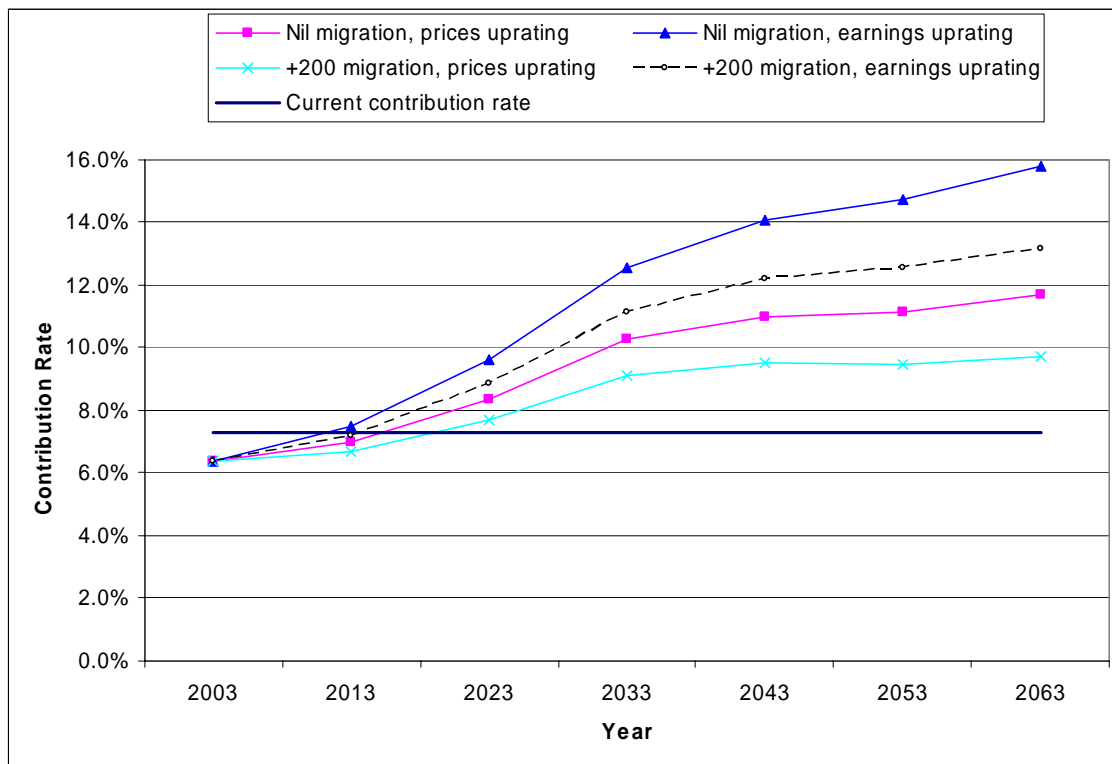


Table F.2: Estimates of full Class 1 contribution rates required in order to break even without recourse to investment income on the fund assuming 1.5% Real Earnings Growth

Year	2003	2013	2023	2033	2043	2053	2063
Nil migration, prices uprating	6.4%	7.0%	8.4%	10.3%	11.0%	11.1%	11.7%
Nil migration, earnings uprating	6.4%	7.5%	9.6%	12.6%	14.1%	14.7%	15.8%
+200 migration, prices uprating	6.4%	6.7%	7.7%	9.1%	9.5%	9.4%	9.7%
+200 migration, earnings uprating	6.4%	7.2%	8.9%	11.2%	12.2%	12.5%	13.2%

Figure F.2: Estimates of full Class 1 contribution rates required in order to break even without recourse to investment income on the fund assuming 1.5% Real Earnings Growth



G Estimated Expenditure on the Various Types of Benefit

Table G.1: The estimated future expenditure on benefits assuming net future immigration of zero, assuming benefit rates are increased in line with prices and assuming real earnings growth of 2% (£000s)

Year	2003	2013	2023	2033	2043	2053	2063
Old age pension	50,091	50,788	52,727	51,966	43,657	33,854	26,421
Widows	2,182	1,027	419	282	214	161	112
Sickness benefit	1,678	1,431	1,089	787	595	438	315
Invalidity benefit	3,562	3,824	3,064	2,185	1,647	1,252	875
Industrial injuries benefit	204	179	137	99	75	55	40
Travel Allowance Grant	1,172	1,221	1,141	1,041	921	799	685
Unemployment Benefit	304	565	432	314	234	174	126
Limited Medical	1	0	0	0	0	0	0
Industrial Medical	104	88	67	49	36	27	19
Industrial Disablement	555	453	357	276	210	159	119
Maternity Benefit	638	509	402	282	204	156	114
Death Grant	161	130	118	112	100	82	62
Guardians Allowance	0	0	0	0	0	0	0
Childs special allowance	1	0	0	0	0	0	0
Total	60,653	60,215	59,955	57,394	47,895	37,158	28,890

Table G.2: The estimated future expenditure on benefits assuming net future immigration of zero, assuming benefit rates are increased in line with earnings and assuming real earnings growth of 2% (£000s)

Year	2003	2013	2023	2033	2043	2053	2063
Old age pension	50,091	60,696	76,814	92,284	94,506	89,333	84,989
Widows	2,182	1,228	611	500	464	425	361
Sickness benefit	1,678	1,710	1,587	1,398	1,288	1,157	1,013
Invalidity benefit	3,562	4,570	4,464	3,881	3,565	3,305	2,815
Industrial injuries benefit	204	213	200	177	163	146	127
Travel Allowance Grant	1,172	1,221	1,141	1,041	921	799	685
Unemployment Benefit	304	675	629	558	507	458	404
Limited Medical	1	0	0	0	0	0	0
Industrial Medical	104	106	98	87	79	72	63
Industrial Disablement	555	541	521	491	455	420	383
Maternity Benefit	638	609	586	500	442	412	367
Death Grant	161	156	172	198	217	218	201
Guardians Allowance	0	0	0	0	0	0	0
Childs special allowance	1	0	0	0	0	0	0
Total	60,653	71,725	86,823	101,116	102,608	96,744	91,410

Table G.3: The estimated future expenditure on benefits assuming immigration of 200 a year, assuming benefit rates are increased in line with prices and assuming real earnings growth of 2% (£000s)

Year	2003	2013	2023	2033	2043	2053	2063
Old age pension	50,091	50,788	53,047	53,469	46,587	37,947	31,258
Widows	2,182	1,042	440	306	243	193	145
Sickness benefit	1,678	1,497	1,198	920	737	580	450
Invalidity benefit	3,562	3,951	3,308	2,502	2,000	1,614	1,224
Industrial injuries benefit	204	186	150	116	93	73	56
Travel Allowance Grant	1,172	1,272	1,236	1,178	1,097	1,009	924
Unemployment Benefit	304	592	475	367	290	230	179
Limited Medical	1	0	0	0	0	0	0
Industrial Medical	104	92	74	57	45	36	28
Industrial Disablement	555	457	368	294	233	185	146
Maternity Benefit	638	544	454	341	264	214	168
Death Grant	161	131	119	114	104	89	71
Guardians Allowance	0	0	0	0	0	0	0
Childs special allowance	1	0	0	0	0	0	0
Total	60,653	60,551	60,870	59,664	51,694	42,170	34,648

Table G.4: The estimated future expenditure on benefits assuming immigration of 200 a year, assuming benefit rates are increased in line with earnings and assuming real earnings growth of 2% (£000s)

Year	2003	2013	2023	2033	2043	2053	2063
Old age pension	50,091	60,696	77,279	94,953	100,848	100,136	100,548
Widows	2,182	1,246	641	543	526	509	465
Sickness benefit	1,678	1,789	1,746	1,633	1,596	1,531	1,446
Invalidity benefit	3,562	4,721	4,820	4,444	4,329	4,259	3,938
Industrial injuries benefit	204	223	219	206	201	192	181
Travel Allowance Grant	1,172	1,272	1,236	1,178	1,097	1,009	924
Unemployment Benefit	304	707	692	651	629	606	575
Limited Medical	1	0	0	0	0	0	0
Industrial Medical	104	111	108	102	98	95	90
Industrial Disablement	555	546	536	522	504	487	469
Maternity Benefit	638	651	661	606	572	565	540
Death Grant	161	157	174	203	226	235	228
Guardians Allowance	0	0	0	0	0	0	0
Childs special allowance	1	0	0	0	0	0	0
Total	60,653	72,117	88,112	105,040	110,626	109,626	109,405

Table G.5: The estimated future expenditure on benefits assuming net future immigration of zero, assuming benefit rates are increased in line with prices and assuming real earnings growth of 1.5% (£000s)

Year	2003	2013	2023	2033	2043	2053	2063
Old age pension	50,091	53,346	58,173	60,221	53,140	43,282	35,481
Widows	2,182	1,079	463	326	261	206	151
Sickness benefit	1,678	1,503	1,202	912	724	560	423
Invalidity benefit	3,562	4,017	3,380	2,532	2,005	1,601	1,175
Industrial injuries benefit	204	188	151	115	92	71	53
Travel Allowance Grant	1,172	1,282	1,259	1,207	1,121	1,021	920
Unemployment Benefit	304	594	477	364	285	222	169
Limited Medical	1	0	0	0	0	0	0
Industrial Medical	104	92	74	56	44	34	26
Industrial Disablement	555	476	394	320	256	204	160
Maternity Benefit	638	535	444	326	249	200	153
Death Grant	161	137	130	129	122	105	84
Guardians Allowance	0	0	0	0	0	0	0
Childs special allowance	1	0	0	0	0	0	0
Total	60,653	63,247	66,147	66,511	58,298	47,507	38,796

Table G.6: The estimated future expenditure on benefits assuming net future immigration of zero, assuming benefit rates are increased in line with earnings and assuming real earnings growth of 1.5% (£000s)

Year	2003	2013	2023	2033	2043	2053	2063
Old age pension	50,091	60,995	77,192	92,739	94,972	89,773	85,408
Widows	2,182	1,234	614	503	466	427	363
Sickness benefit	1,678	1,718	1,595	1,404	1,294	1,162	1,018
Invalidity benefit	3,562	4,593	4,486	3,900	3,582	3,321	2,829
Industrial injuries benefit	204	215	201	178	164	146	128
Travel Allowance Grant	1,172	1,282	1,259	1,207	1,121	1,021	920
Unemployment Benefit	304	679	632	561	509	461	406
Limited Medical	1	0	0	0	0	0	0
Industrial Medical	104	106	98	87	79	72	63
Industrial Disablement	555	544	523	493	457	422	385
Maternity Benefit	638	612	589	503	445	414	369
Death Grant	161	157	173	199	218	219	202
Guardians Allowance	0	0	0	0	0	0	0
Childs special allowance	1	0	0	0	0	0	0
Total	60,653	72,133	87,362	101,774	103,308	97,439	92,092

Table G.7: The estimated future expenditure on benefits assuming immigration of 200 a year, assuming benefit rates are increased in line with prices and assuming real earnings growth of 1.5% (£000s)

Year	2003	2013	2023	2033	2043	2053	2063
Old age pension	50,091	53,346	58,525	61,963	56,706	48,516	41,977
Widows	2,182	1,095	485	354	296	247	194
Sickness benefit	1,678	1,572	1,322	1,066	897	742	604
Invalidity benefit	3,562	4,150	3,650	2,900	2,434	2,064	1,644
Industrial injuries benefit	204	196	166	134	113	93	76
Travel Allowance Grant	1,172	1,336	1,363	1,365	1,336	1,290	1,241
Unemployment Benefit	304	621	524	425	353	294	240
Limited Medical	1	0	0	0	0	0	0
Industrial Medical	104	96	81	66	55	46	37
Industrial Disablement	555	480	406	341	283	236	196
Maternity Benefit	638	572	501	395	322	274	226
Death Grant	161	138	132	132	127	114	95
Guardians Allowance	0	0	0	0	0	0	0
Childs special allowance	1	0	0	0	0	0	0
Total	60,653	63,601	67,156	69,141	62,922	53,915	46,529

Table G.8: The estimated future expenditure on benefits assuming immigration of 200 a year, assuming benefit rates are increased in line with earnings and assuming real earnings growth of 1.5% (£000s)

Year	2003	2013	2023	2033	2043	2053	2063
Old age pension	50,091	60,995	77,660	95,421	101,345	100,629	101,043
Widows	2,182	1,252	644	546	529	512	468
Sickness benefit	1,678	1,798	1,754	1,641	1,604	1,539	1,454
Invalidity benefit	3,562	4,745	4,843	4,465	4,350	4,280	3,958
Industrial injuries benefit	204	224	220	207	202	193	182
Travel Allowance Grant	1,172	1,336	1,363	1,365	1,336	1,290	1,241
Unemployment Benefit	304	710	695	655	632	609	578
Limited Medical	1	0	0	0	0	0	0
Industrial Medical	104	111	108	102	98	95	90
Industrial Disablement	555	549	539	524	506	489	471
Maternity Benefit	638	654	664	609	575	568	543
Death Grant	161	157	175	204	227	236	229
Guardians Allowance	0	0	0	0	0	0	0
Childs special allowance	1	0	0	0	0	0	0
Total	60,653	72,530	88,667	105,739	111,404	110,441	110,256

H Projected Fund Balance and Income/Outgo

Note: Where the Fund has been extinguished, it has been treated as though it is a debt and the interest has been treated as a payment instead of a receipt for the sake of illustration. It is recognised that, in practice, the Fund would not be allowed to do this.

Table H.1: Projected fund balance assuming net future immigration of zero, assuming benefit rates are increased in line with prices and assuming real earnings growth of 2% (£000s)

Year		2003	2013	2023	2033	2043	2053	2063
Balance at 1 January		301,371	488,039	567,340	549,372	463,252	388,426	321,730
Income	Contributions	46,465	45,186	38,094	29,883	23,475	18,066	13,445
	State grant	26,471	22,593	19,047	14,942	11,738	9,033	6,723
	Total Income	72,936	67,779	57,140	44,825	35,213	27,099	20,168
Outgo	Benefits	60,653	60,215	59,955	57,394	47,895	37,158	28,890
	Administration Costs	2,845	2,851	2,821	2,764	2,685	2,591	2,488
	Total Outgo	63,498	63,066	62,776	60,158	50,580	39,749	31,377
Operating surplus		9,438	4,713	-5,636	-15,333	-15,367	-12,650	-11,210
Investment Income		53,826	32,391	37,287	35,780	30,090	25,238	20,880
Balance at 31 December		364,635	525,143	598,991	569,818	477,975	401,013	331,400
Average fund throughout year		333,003	506,591	583,166	559,595	470,613	394,720	326,565
Ratio Income/Outgo		1.15	1.07	0.91	0.75	0.70	0.68	0.64
Average Fund / Expenditure		5.24	8.03	9.29	9.30	9.30	9.93	10.41

Table H.2: Projected fund balance assuming net future immigration of zero, assuming benefit rates are increased in line with earnings and assuming real earnings growth of 2% (£000s)

Year		2003	2013	2023	2033	2043	2053	2063
Balance at 1 January		301,371	468,326	438,540	181,371	-297,245	-869,154	-1,534,662
Income	Contributions	46,465	48,803	45,548	40,537	36,712	33,103	29,217
	State grant	26,471	24,402	22,774	20,268	18,356	16,552	14,608
	Total Income	72,936	73,205	68,322	60,805	55,068	49,655	43,825
Outgo	Benefits	60,653	71,725	86,823	101,116	102,608	96,744	91,410
	Administration Costs	2,845	2,851	2,821	2,764	2,685	2,591	2,488
	Total Outgo	63,498	74,576	89,644	103,879	105,292	99,335	93,898
Operating surplus		9,438	-1,371	-21,322	-43,074	-50,224	-49,680	-50,073
Investment Income		53,826	30,888	28,261	10,557	-21,292	-59,048	-103,018
Balance at 31 December		364,635	497,842	445,479	148,854	-368,761	-977,882	-1,687,752
Average fund throughout year		333,003	483,084	442,009	165,112	-333,003	-923,518	-1,611,207
Ratio Income/Outgo		1.15	0.98	0.76	0.59	0.52	0.50	0.47
Average Fund / Expenditure		5.24	6.48	4.93	1.59	-3.16	-9.30	-17.16

Table H.3: Projected fund balance assuming future immigration of 200 a year, assuming benefit rates are increased in line with prices and assuming real earnings growth of 2% (£000s)

Year		2003	2013	2023	2033	2043	2053	2063
Balance at 1 January		301,371	503,183	625,554	671,291	658,453	660,551	672,696
Income	Contributions	46,465	47,327	41,955	34,954	29,202	23,984	19,205
	State grant	26,471	23,664	20,978	17,477	14,601	11,992	9,603
	Total Income	72,936	70,991	62,933	52,431	43,803	35,976	28,808
Outgo	Benefits	60,653	60,551	60,870	59,664	51,694	42,170	34,648
	Administration Costs	2,845	2,851	2,821	2,764	2,685	2,591	2,488
	Total Outgo	63,498	63,402	63,691	62,427	54,379	44,761	37,136
Operating surplus		9,438	7,588	-758	-9,996	-10,575	-8,785	-8,328
Investment Income		53,826	33,486	41,293	44,009	43,142	43,339	44,157
Balance at 31 December		364,635	544,257	666,089	705,303	691,019	695,105	708,525
Average fund throughout year		333,003	523,720	645,821	688,297	674,736	677,828	690,610
Ratio Income/Outgo		1.15	1.12	0.99	0.84	0.81	0.80	0.78
Average Fund / Expenditure		5.24	8.26	10.14	11.03	12.41	15.14	18.60

Table H.4: Projected fund balance assuming future immigration of 200 a year, assuming benefit rates are increased in line with earnings and assuming real earnings growth of 2% (£000s)

Year		2003	2013	2023	2033	2043	2053	2063
Balance at 1 January		301,371	483,984	501,512	317,665	-76,925	-567,206	-1,162,361
Income	Contributions	46,465	51,100	50,120	47,336	45,588	43,877	41,672
	State grant	26,471	25,550	25,060	23,668	22,794	21,938	20,836
	Total Income	72,936	76,650	75,180	71,004	68,382	65,815	62,507
Outgo	Benefits	60,653	72,117	88,112	105,040	110,626	109,626	109,405
	Administration Costs	2,845	2,851	2,821	2,764	2,685	2,591	2,488
	Total Outgo	63,498	74,968	90,933	107,804	113,311	112,217	111,893
Operating surplus		9,438	1,682	-15,753	-36,800	-44,930	-46,402	-49,385
Investment Income		53,826	32,023	32,605	19,766	-6,565	-38,996	-78,405
Balance at 31 December		364,635	517,688	518,363	300,632	-128,420	-652,604	-1,290,152
Average fund throughout year		333,003	500,836	509,937	309,148	-102,673	-609,905	-1,226,256
Ratio Income/Outgo		1.15	1.02	0.83	0.66	0.60	0.59	0.56
Average Fund / Expenditure		5.24	6.68	5.61	2.87	-0.91	-5.44	-10.96

Table H.5: Projected fund balance assuming net future immigration of zero, assuming benefit rates are increased in line with prices and assuming real earnings growth of 1.5% (£000s)

Year		2003	2013	2023	2033	2043	2053	2063
Balance at 1 January		301,371	503,172	590,470	566,958	456,954	350,769	246,211
Income	Contributions	46,465	46,150	40,163	32,852	27,065	21,976	17,274
	State grant	26,471	23,075	20,081	16,426	13,533	10,988	8,637
	Total Income	72,936	69,226	60,244	49,279	40,598	32,964	25,911
Outgo	Benefits	60,653	63,247	66,147	66,511	58,298	47,507	38,796
	Administration Costs	2,845	2,853	2,840	2,808	2,762	2,704	2,637
	Total Outgo	63,498	66,100	68,986	69,319	61,060	50,211	41,433
Operating surplus		9,438	3,125	-8,742	-20,040	-20,462	-17,247	-15,523
Investment Income		53,826	33,338	38,712	36,786	29,506	22,599	15,750
Balance at 31 December		364,635	539,635	620,440	583,703	465,998	356,121	246,438
Average fund throughout year		333,003	521,403	605,455	575,331	461,476	353,445	246,325
Ratio Income/Outgo		1.15	1.05	0.87	0.71	0.66	0.66	0.63
Average Fund / Expenditure		5.24	7.89	8.78	8.30	7.56	7.04	5.95

Table H.6: Projected fund balance assuming net future immigration of zero, assuming benefit rates are increased in line with earnings and assuming real earnings growth of 1.5% (£000s)

Year		2003	2013	2023	2033	2043	2053	2063
Balance at 1 January		301,371	487,214	481,610	244,396	-231,982	-830,489	-1,562,012
Income	Contributions	46,465	48,803	45,548	40,537	36,712	33,103	29,217
	State grant	26,471	24,402	22,774	20,268	18,356	16,552	14,608
	Total Income	72,936	73,205	68,322	60,805	55,068	49,655	43,825
Outgo	Benefits	60,653	72,133	87,362	101,774	103,308	97,439	92,092
	Administration Costs	2,845	2,853	2,840	2,808	2,762	2,704	2,637
	Total Outgo	63,498	74,986	90,202	104,582	106,070	100,143	94,729
Operating surplus		9,438	-1,781	-21,880	-43,777	-51,002	-50,487	-50,904
Investment Income		53,826	32,122	31,088	14,697	-17,007	-56,521	-104,852
Balance at 31 December		364,635	517,554	490,818	215,316	-299,991	-937,497	-1,717,767
Average fund throughout year		333,003	502,384	486,214	229,856	-265,987	-883,993	-1,639,889
Ratio Income/Outgo		1.15	0.98	0.76	0.58	0.52	0.50	0.46
Average Fund / Expenditure		5.24	6.70	5.39	2.20	-2.51	-8.83	-17.31

Table H.7: Projected fund balance assuming future immigration of 200 a year, assuming benefit rates are increased in line with prices and assuming real earnings growth of 1.5% (£000s)

Year		2003	2013	2023	2033	2043	2053	2063
Balance at 1 January		301,371	518,751	652,339	701,260	680,399	675,251	683,153
Income	Contributions	46,465	48,334	44,225	38,412	33,656	29,165	24,667
	State grant	26,471	24,167	22,112	19,206	16,828	14,582	12,334
	Total Income	72,936	72,501	66,337	57,617	50,484	43,747	37,001
Outgo	Benefits	60,653	63,601	67,156	69,141	62,922	53,915	46,529
	Administration Costs	2,845	2,853	2,840	2,808	2,762	2,704	2,637
	Total Outgo	63,498	66,454	69,995	71,949	65,684	56,619	49,166
Operating surplus		9,438	6,047	-3,658	-14,331	-15,200	-12,872	-12,165
Investment Income		53,826	34,463	42,966	45,845	44,438	44,175	44,720
Balance at 31 December		364,635	559,261	691,647	732,774	709,637	706,554	715,708
Average fund throughout year		333,003	539,006	671,993	717,017	695,018	690,902	699,431
Ratio Income/Outgo		1.15	1.09	0.95	0.80	0.77	0.77	0.75
Average Fund / Expenditure		5.24	8.11	9.60	9.97	10.58	12.20	14.23

Table H.8: Projected fund balance assuming future immigration of 200 a year, assuming benefit rates are increased in line with earnings and assuming real earnings growth of 1.5% (£000s)

Year		2003	2013	2023	2033	2043	2053	2063
Balance at 1 January		301,371	503,171	546,916	388,671	7,184	-492,417	-1,128,980
Income	Contributions	46,465	51,100	50,120	47,336	45,588	43,877	41,672
	State grant	26,471	25,550	25,060	23,668	22,794	21,938	20,836
	Total Income	72,936	76,650	75,180	71,004	68,382	65,815	62,507
Outgo	Benefits	60,653	72,530	88,667	105,739	111,404	110,441	110,256
	Administration Costs	2,845	2,853	2,840	2,808	2,762	2,704	2,637
	Total Outgo	63,498	75,383	91,506	108,547	114,166	113,145	112,893
Operating surplus		9,438	1,267	-16,326	-37,542	-45,784	-47,330	-50,385
Investment Income		53,826	33,276	35,585	24,432	-1,038	-34,087	-76,233
Balance at 31 December		364,635	537,715	566,174	375,561	-39,638	-573,834	-1,255,598
Average fund throughout year		333,003	520,443	556,545	382,116	-16,227	-533,126	-1,192,289
Ratio Income/Outgo		1.15	1.02	0.82	0.65	0.60	0.58	0.55
Average Fund / Expenditure		5.24	6.90	6.08	3.52	-0.14	-4.71	-10.56

Figure H.1: Average fund to expenditure ratio assuming net future immigration of zero and assuming real earnings growth of 2%

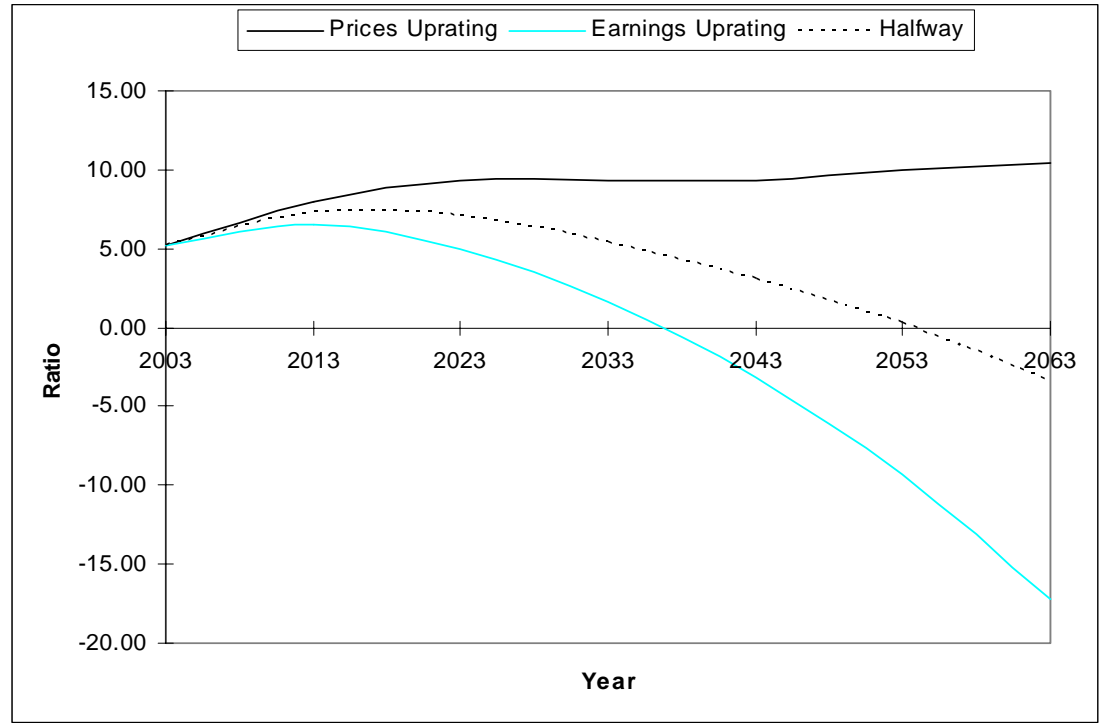


Figure H.2: Average fund to expenditure ratio assuming future immigration of 200 a year and assuming real earnings growth of 2%

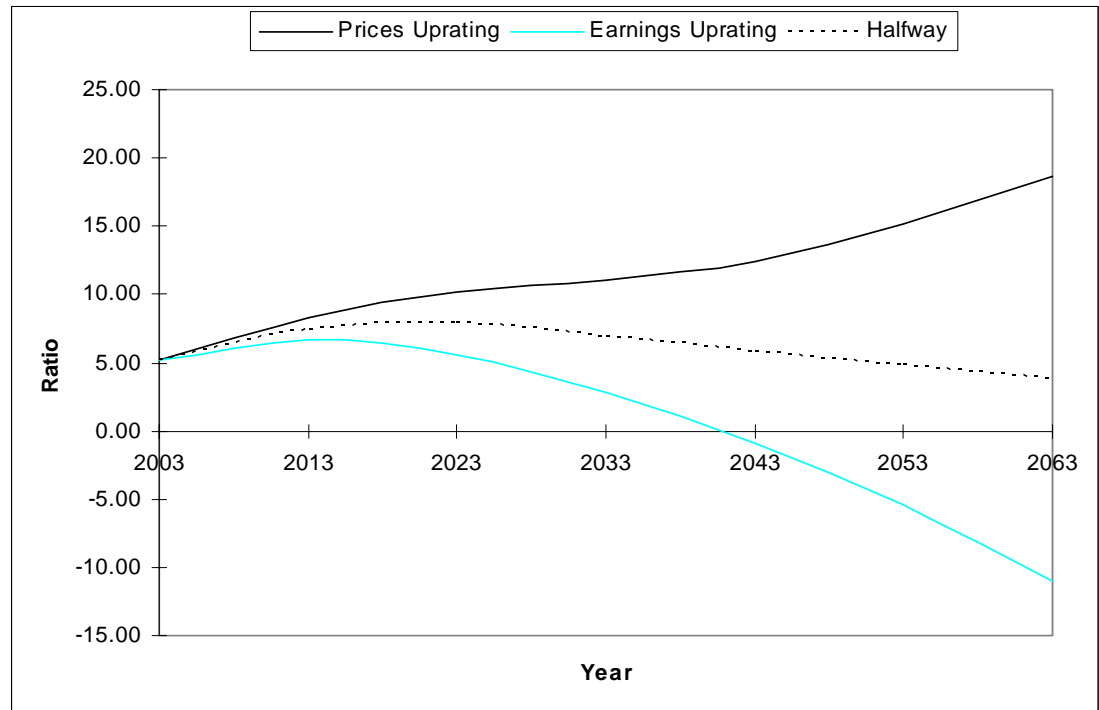


Figure H.3: Average fund to expenditure ratio assuming net future immigration of zero and assuming real earnings growth of 1.5%

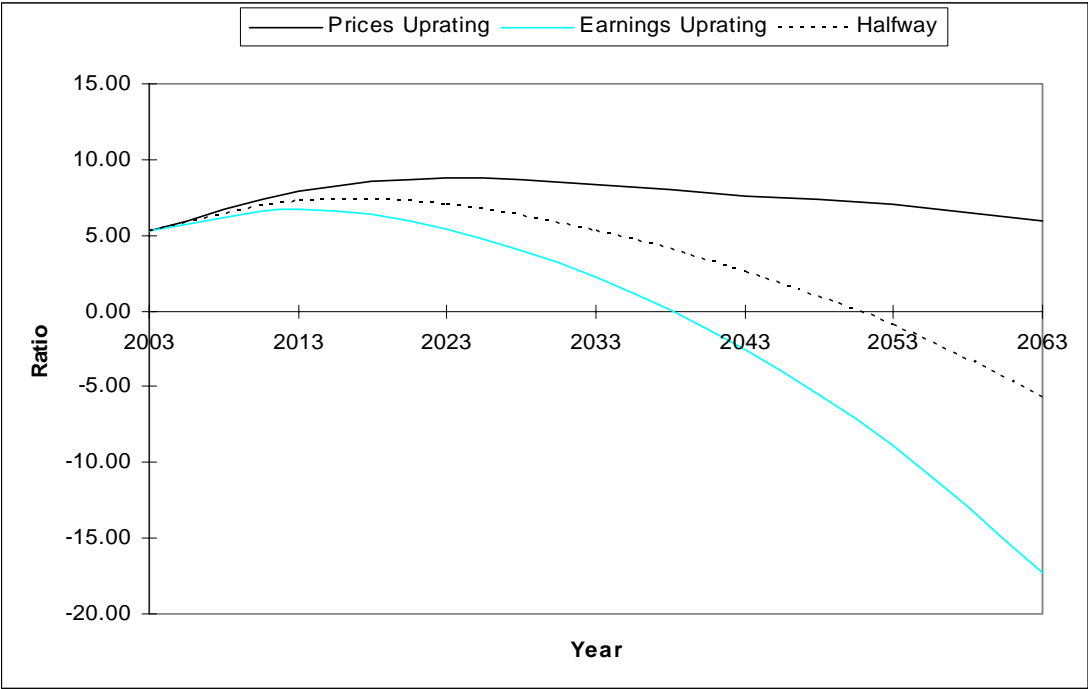


Figure H.4: Average fund to expenditure ratio assuming future immigration of 200 a year and assuming real earnings growth of 1.5%

