

STATES OF JERSEY



PENSION AGE: INCREASE (P.58/2011) – COMMENTS

Presented to the States on 1st June 2011
by the Council of Ministers

STATES GREFFE

COMMENTS

The Council of Ministers fully supports the proposition of the Minister for Social Security.

The phased increase in pensionable age under the Social Security (Jersey) Law 1974 is a logical step to take in dealing with the ageing population issue that is affecting Jersey as it affects other countries. Increasing the pensionable age is not the solution to the ageing population problem, but should be seen as part of a range of policies that ultimately will mitigate the effects of a changing population profile.

On its own, moving the pension age from 65 to 67 helps on at least 3 fronts –

- Firstly, it helps the sustainability of the Social Security pension scheme which has been successful in providing relatively high States' pensions;
- Secondly, it helps the economy by encouraging workers to remain economically active and to militate against larger future contribution rates; and
- Thirdly, it enhances “intergenerational solidarity” by balancing the liability of existing and future workers to support the elderly.

The Council of Ministers recognises the success of the Social Security pension scheme and supports the Minister in making reasonable amendments to the scheme to maintain its relevance to a changing and ageing society. However, the Council of Ministers also recognises that changes to the Social Security scheme will not be successful alone and form only part of a strategy to manage the ageing population. Clearly, whilst changing pensionable age will improve any worker/pensioner ratio, it cannot succeed unless older workers stay in employment longer or return to work. A review of incentives and barriers to working longer and the monitoring of this area of labour participation are welcomed.

Finally, the Council of Ministers supports the phasing of the implementation of an increased pensionable age, which will give people who may be affected time to look at their plans for the age of 65 and potential retirement around that time. The decision to retire is a major personal consideration involving health, occupational and private pensions, as well as a work/life balance. The Council of Ministers believes that these proposals, coupled with further reviews as identified in the report, will be sufficiently flexible to allow contributors to the Social Security scheme to exercise a reasonable and appropriate choice as to when to take their pension.