

# STATES OF JERSEY



## **PENSIONS PAYABLE TO RETIRED PUBLIC EMPLOYEES: PROPOSED AMENDMENT TO STATES ACT OF 11TH JULY 1972**

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**Lodged au Greffe on 11th April 2011  
by the States Employment Board**

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**STATES GREFFE**

## **PROPOSITION**

**THE STATES are asked to decide whether they are of opinion –**

to amend their Act dated 11th July 1972 revising pensions to retired public employees, by deleting in paragraph (f) the words “, adjusted to the nearest half of one per cent”.

STATES EMPLOYMENT BOARD

## REPORT

The States Employment Board is promoting an amendment to paragraph (f) of the Act of the States of 11th July 1972 (as amended) revising pensions payable to retired public employees.

Members may recall that in 1987/1988 the States of Jersey introduced changes to the Public Employees Contributory Retirement Scheme (PECRS) with effect from 1st January 1988. Those changes gave employees a choice to remain under the 1967 Regulations or move to the Existing Members' Scheme or New Members' Scheme.

Employees who opted to remain under the 1967 Regulations retained the States' guarantee of pension increases in line with rises in the Jersey Cost of Living Index as provided for under the Act of the States of 11th July 1972 covering retired public employees.

Similarly, in 1993, the Former Hospital Scheme (FHS) joined the Public Employees Contributory Retirement Scheme and employees were given similar options, i.e. to move to the Existing or New Members' Regulations or to remain in the FHS. Those who chose to remain in the FHS also retained the States' guarantee of pension increases in line with rises in the Jersey Cost of Living Index.

The PECRS has, since 1988, paid cost of living increases to all its members; however, this arrangement is subject to the Scheme's ability to pay. Following the disclosure of a deficiency within the PECRS at December 2007, no agreement was reached in order to deal with that deficiency; therefore, the default position under the Regulations was triggered.

The default position means that pension increases for the majority of the PECRS members will be reduced each year from January 2011 by 0.3% reduction. Therefore as the Cost of Living Index at December 2010 was 2.3%, members of the Scheme will only receive a 2% increase.

However, this cutback in pension increases does not apply to those members who opted to remain under the 1967 Regulations and the FHS who (in the event of the default Regulations being triggered) continue to be covered by the Act of the States of 11th July 1972 covering retired public employees.

Paragraph (f) of the 1972 Act states –

*The States, adopting a Proposition from the Establishment Committee –*

- (f) *agreed that with effect from 1st January 1973 all pensions in payment and all deferred pensions and deferred lump sums (including pensions and lump sums determined at normal retiring age under Regulation 5 or 10(4) of the Public Employees (Contributory Retirement Scheme) (Jersey) Regulations 1992 which have been deferred owing to the employee remaining in membership beyond normal retiring age) payable to retired public employees and to the widows and children of former public employees would be the subject of an annual review and would automatically be increased by an amount equal to the rise in the cost of living during the review period, as measured by the Jersey Cost of Living Index, adjusted to the nearest half of one percent.*

The adjustment to “the nearest half of one percent” is relevant in that the top-up payment may mean the payment is less or more than the cost of living. For example, the cost of living as at December 2010 was 2.3%, the reduction to pension increases under the PECRS of 0.3% would take the PECRS increase to 2.0%, but (under the legislation) the adjusted cost of living increase would have been 2.5% and accordingly the top-up would be 0.5%.

This means that the majority of PECRS members will receive 2% instead of the cost of living figure of 2.3%. However, this particular group of members who retained a guarantee of index linking would receive 2.5% when the cost of living is only 2.3%.

Subsequently, the States Employment Board is promoting an amendment to paragraph (f) of the 1972 Pensions Increases Act by removing “*adjusted to the nearest half of one per cent*” and will now read as follows –

*The States, adopting a Proposition from the Chief Minister –*

(f) *agreed that with effect from 1st January 1973 all pensions in payment and all deferred pensions and deferred lump sums (including pensions and lump sums determined at normal retiring age under Regulation 5 or 10(4) of the Public Employees (Contributory Retirement Scheme) (Jersey) Regulations 1992 which have been deferred owing to the employee remaining in membership beyond normal retiring age) payable to retired public employees and to the widows and children of former public employees would be the subject of an annual review and would automatically be increased by an amount equal to the rise in the cost of living during the review period, as measured by the Jersey Cost of Living Index.*

Clearly, this only applies to those members who opted to remain in the 1967 and FHS Regulations. All other members of the Public Employees Contributory Retirement Scheme will receive the annual reduction of 0.3% on pension increases.

### **Financial and manpower implications**

In terms of financial implications, the adjustment to “the nearest half of one percent” means that any top-up payment may be more or less than the cost of living figure. By removing the above words, members who remain eligible for ‘cost of living’ increases will receive the exact cost of living increase as opposed to a figure which could be either in excess or below the cost of living figure.

The number of members who could be affected by this change in the legislation is as follows –

<u>1967 Regulations</u>		<u>FHS</u>	
Active members	123	Active members	12
Pensioners	403	Pensioners	54
Dependents	201	Dependents	5
Deferred members	43	Deferred members	2
Children	5	Children	0

There are no manpower implications for the States arising from this proposition.