
STATES OF JERSEY



SOCIAL SECURITY ADVISORY COUNCIL: REPORT ON PROPOSED CHANGES TO SURVIVOR'S BENEFIT

**Presented to the States on 4th December 2012
by the Minister for Social Security**

STATES GREFFE

REPORT

Introduction

The Social Security Advisory Council is established under the Social Security (Jersey) Law 1974, to give advice and assistance to the Minister for Social Security.

The Council was requested to provide a short report on the proposed changes to survivor's benefit, and this report is set out below.

In summary, the Council recommended an increase in survivor's allowance for survivors whose spouse/civil partner did not have a full contribution record at the date of death, combined with the immediate removal of survivor's pension in its entirety. It considered that income support provided sufficient support for local survivors. It also suggested that existing survivor's pension claimants should see their benefits phased out over the next 5 or 10 years.

The Minister has responded to the Council as follows:

I am very grateful to the Council for taking up the challenge of producing this report in a very short timescale. I am pleased that the Council has recognized the generosity of existing survivor's benefit, and note that it has suggested an alternative approach to the one currently presented to the States Assembly for debate.

Last year, the States approved P.105/2011, a proposition that I presented while still a backbencher. That decision required the Minister for Social Security to identify savings to the cost of survivor's benefit, but to maintain the value of the benefit to existing claimants. I am still strongly of the opinion that claimants who have already started to receive this benefit should not be disadvantaged by these changes, and I do not intend to make proposals to the States to phase out survivor's benefit for existing claimants.

The Council proposes that survivor's pension should no longer be available to any new claimants. My proposals retain survivor's pension in the case of a survivor who is still looking after dependent children. I consider that an individual in this position should remain entitled to support from the Social Security Fund whilst their children are completing their education.

Since the original proposition was lodged, discussions with a number of States Members have led to an amendment to also maintain eligibility to survivor's pension for individuals who, as at 31st December 2012, are aged 57 and above. This amendment is now also subject to two further amendments to set this age limit at 50 or 55.

The proposals set out in P.101/2012 will create a significant saving in the cost of survivor's benefit in the long term. I acknowledge that the Council would like to achieve these savings more quickly but, on balance, I consider that my proposals protect those survivors that are most likely to be in need of financial assistance, while at the same time creating a sizable reduction in the long-term cost to the Fund.

Social Security Advisory Council Report: Survivor's Allowance and Survivor's Pension

Background

The Minister for Social Security has asked the Social Security Advisory Council to report on the Survivor's Allowance and Survivor's Pension, particularly:

- the qualifying conditions
- the treatment of existing claimants.

The current situation is that on the death of a married person, providing all the qualifying conditions are met, the surviving spouse may be entitled to two "Survivor's Benefits" as follows:

- Survivor's Allowance – paid during the first 12 months after the death
- Survivor's Pension – payable until the survivor reaches pension age.

Individuals may also be eligible for:

- Death Grant – a bereavement payment which is intended to help with funeral expenses
- Additional Income Support payments to help with Funeral Expenses.

Survivor's benefits were originally put in place at a time when it was common for couples in long-term relationships to be married and for a wife to be supported by her husband. The death of a husband could lead to a wife being unsupported, with the only alternative being Parish Relief.

Changes to introduce equality between men and women were eventually introduced, and men are now eligible for the benefits on the death of their wife. The law has recently been updated to include civil partnerships. However, Council perceives there to be an inequality between married couples and co-habiting couples who are not eligible for Survivor's benefits.

Survivor's benefits are not means-tested and not dependent on where the recipient resides, and may only be lost if the recipient remarries or starts cohabiting with another person prior to the recipient being of pensionable age. More details are available at:

<http://www.gov.je/Benefits/DeathBereavement/Pages/WidowWidowerBenefit.aspx>.

Council have discussed the above and agreed the following points.

Death Grant

Council all agreed that it should remain in place.

Survivor's Pension

The Survivor's Pension is calculated by looking at the deceased person's contribution record and determining what proportion of their total contributions had been paid between the age of 18 and the age of death. An equivalent proportion of the total benefit rate would then be paid. Therefore, if the deceased person had a full contribution record, the full rate of benefit would be paid. Council is of the opinion that the Survivor's Pension is overly generous.

Council recognises that determining co-habitation is a problem and that eligibility of claimants to continue receiving this pension relies upon the honesty of the claimant. This is particularly difficult where individuals live outside Jersey, although Council is told that some checks are made. The effect of policing this benefit and the regularity of any checks against claims is unknown, and as it is reliant on the claimant informing the department of their co-habitation this leaves this benefit vulnerable to abuse.

Council agreed that the Survivor's Pension should be discontinued and the benefit should be closed to new claimants. It was felt that this need not cause hardship as survivors would have access to Income Support.

Council are advised that there are currently 783 people over age 45, who could potentially continue to receive it until pension age if they remain unmarried or did not co-habit.

Council discussed whether the department should keep the benefit in place for those currently receiving it, and thought that a phased approach should be adopted to withdraw it from existing recipients.

Council agreed that the existing Survivor's Pension claimants should see a transitional reduction of their pension, over a period of time to be set by the States.

Council suggest that the Survivor's Pension should be phased out by either reducing payments by 20% per year for 5 years or 10% per year for 10 years.

Either of these approaches would protect older recipients close to pension age and give others the opportunity to prepare for the reduction in income with the assurance that income support would be available if needed.

Council discussed the risk of hardship if the benefit is stopped and noted that those currently receiving it, and resident in Jersey, would be eligible for Income Support if this was necessary.

If Survivor's Pension is retained for new claimants, Council felt that it should only be paid to claimants resident in Jersey. However, Council noted the existence of reciprocal agreements with a wide range of countries which would need to be taken into account in any new residency assessment.

Survivor's allowance

Council agreed that if the Survivor's Pension benefit was removed, Survivor's Allowance should remain in place and be paid for 52 weeks at 120% of the standard rate of benefit and where the deceased has paid 6 months' contributions, be paid at the standard rate of benefit. We accept that this will result in an increase in expenditure from the Social Security Fund, but anticipate that this will be very substantially offset by the reduction in expenditure resulting from the phasing-out of the Survivor's Pension benefit.



Colin Russell
Chairman
Social Security Advisory Council