STATES OF JERSEY

OLD AGE PENSION: INCREASE FOR 2012 (P.97/2012) – AMENDMENT

Lodged au Greffe on 20th November 2012
by Deputy G.P. Southern of St. Helier

STATES GREFFE

PAGE 2, PARAGRAPH (a) –

Delete the words "for those resident in Jersey".

DEPUTY G.P. SOUTHERN OF ST. HELIER

REPORT

The Minister for Social Security, in his comments to my proposal P.97/2012: Old Age Pension: increase for 2012, gives a very persuasive argument why a pension increase targeted only for pensioners resident in Jersey cannot be delivered. This would mean Jersey renouncing a number of Reciprocal Agreements. This amendment removes that objection.

In accepting this objection, of course, my amended proposition is then open to the criticism that it is poorly targeted. The increased value of the pension will be enjoyed both by pensioners living in Jersey and by the substantial proportion of pensioners who live overseas. I have few qualms about this, since I believe that all who have paid in to the Scheme should see the benefit. I am in little doubt that those on fixed incomes, wherever they are in the world, are all encountering similar hardships.

The Minister in his comments makes a fresh estimate of the cost of the increase, which I include here. As members can see, the large majority of pensions and of pension value remains in Jersey.

> "**Cost of proposals**
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> Given that the number and value of pensions exported to non-Reciprocal Agreement countries (or those where the Reciprocal Agreement does not cover pension increases) is very small, and the additional operational costs and administration associated with paying 2 rates of old age pension would be considerable, the only viable option would be to make the increased pension payments to all pensioners, whatever their current country of residence.
>
> The approximate annual cost of this can be estimated as –
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> - The actual cost of old age pensions for September 2012 was £11.97 million.
> - An additional 1.4% would be £167,600 (for the month).
> - Using the monthly figure to estimate the full year cost, this would be £2.04 million.
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> Information on old age pension claims at the end of 2011 provides the following analysis.

Year end 2011	*% of pension claims*	*% of pension value*
Claims paid in Jersey	58%	82%
Claims paid to reciprocal country	39%	16%
Claims paid to non-reciprocal country	3%	2%

> From the estimate of £2.04 million additional cost, approximately £1.67 million would be paid to pensioners living in Jersey, with the remainder payable to pensioners living overseas. Only 2% (i.e. £40,000 per annum) of the value of the additional payments would be made to claimants living in countries that are not covered by a Reciprocal Agreement."

The Minister then suggests that there is ongoing work underway to enable a longer-term solution to increases in pensions, but I believe that pensioners need to be provided with a immediate solution for what is a cut in the value of their pensions, and that the States should give them that certainty.

Financial and manpower implications

There are no manpower considerations. Successive Ministers have always ensured that low-income pensioners receive the full value of their old age pension increase by adjusting the income support pension disregard appropriately. Any proposal to adjust the pension rate will include this provision, in line with current policy. These costs are as in the original proposition.