

STATES OF JERSEY



DRAFT PUBLIC EMPLOYEES (PENSION SCHEME) (TRANSITIONAL PROVISIONS, SAVINGS AND CONSEQUENTIAL AMENDMENTS) (JERSEY) REGULATIONS 201- (P.99/2015): AMENDMENT

**Lodged au Greffe on 30th October 2015
by the States Employment Board**

STATES GREFFE

DRAFT PUBLIC EMPLOYEES (PENSION SCHEME) (TRANSITIONAL
PROVISIONS, SAVINGS AND CONSEQUENTIAL AMENDMENTS) (JERSEY)
REGULATIONS 201- (P.99/2015): AMENDMENT

1 PAGE 32, REGULATION 7 –

After Regulation 7(11) add the following paragraph –

“(12) Unless an election as required under Regulation 15 of the Existing Members Regulations or Regulation 15 of the New Members Regulations, as the case may be, has been made before the transition date, the calculation of 1967 Scheme retirement benefits referred to in paragraphs (2)(a), (4)(a), (6)(a), (8)(a), (9)(a), (10)(a) or (11)(a), shall not include an adjustment under Regulation 15 of those respective Regulations, as the case may be.”.

2 PAGES 47 AND 48, SCHEDULE 1 –

In paragraph 1 –

(a) delete sub-paragraph (11);

(b) for sub-paragraph (12), substitute the following sub-paragraph –

“(11) In Regulation 11(2)(b), for the words ‘as increased under Regulation 11 of the General Regulations’, there are substituted the words ‘as increased under Regulation 8 or 12(2)(a) of, and paragraph 2 of Schedule 1 to, the Funding and Valuation Regulations’.”;

(c) re-number sub-paragraphs (13) and (14) as sub-paragraphs “(12)” and “(13)” respectively;

(d) for sub-paragraph (15) substitute the following sub-paragraph –

“(14) In Regulation 15(2)(a), (c) and (d), for the words ‘Regulation 11 of the General Regulations’, there are substituted the words ‘Regulation 8 or 12(2)(a) of, and paragraph 2 of Schedule 1 to, the Funding and Valuation Regulations’.”;

(e) re-number sub-paragraph (16) as sub-paragraph “(15)” and re-number the remaining sub-paragraphs.

3 PAGE 70, SCHEDULE 1 –

In paragraph 5 –

(a) delete sub-paragraph (12);

(b) for sub-paragraph (13), substitute the following sub-paragraph –

“(12) In Regulation 11(2)(b), for the words ‘as increased under Regulation 11 of the General Regulations’, there are substituted the words ‘as increased under Regulation 8 or 12(2)(a) of, and paragraph 2 of Schedule 1 to, the Funding and Valuation Regulations’.”;

- (c) re-number sub-paragraphs (14) and (15) as sub-paragraphs “(13)” and “(14)” respectively;
- (d) for sub-paragraph (16) substitute the following sub-paragraph –
“ (15) In Regulation 15(2)(a), (c) and (d), for the words ‘Regulation 11 of the General Regulations’, there are substituted the words ‘Regulation 8 or 12(2)(a) of, and paragraph 2 of Schedule 1 to, the Funding and Valuation Regulations’.”;
- (e) re-number sub-paragraph (17) as sub-paragraph “(16)” and re-number the remaining sub-paragraphs.

4 PAGE 73, SCHEDULE 2 –

After paragraph 1(3) add the following sub-paragraph –

“(4) In Regulation 15(1) and (2)(b) and (e), the words ‘or deferred pensioner’ are deleted.”.

5 PAGE 74, SCHEDULE 2 –

After paragraph 4(3) add the following sub-paragraph –

“(4) In Regulation 15(1) and (2)(b) and (e), the words ‘or deferred pensioner’ are deleted.”.

STATES EMPLOYMENT BOARD

REPORT

The States Employment Board (“SEB”) is proposing an amendment to the Draft Public Employees (Pension Scheme) (Transitional Provisions, Savings and Consequential Amendments) (Jersey) Regulations 201- (“Transitional Regulations”) (P.99/2015) as lodged.

The proposed amendment would retain the Old Age Pension (OAP) Adjustment option provision contained in Regulation 15 in both the Public Employees (Contributory Retirement Scheme) (New Members) (Jersey) Regulations 1989 (“New Members Regulations”) and the Public Employees (Contributory Retirement Scheme) (Existing Members) (Jersey) Regulations 1989 (“Existing Members Regulations”) for continuing contributing members under those Regulations.

The OAP Adjustment option provision allows members, prior to retirement, to elect to take a higher level of pension from the Public Employees Contributory Retirement Scheme (“PECRS”) prior to the date their Island-wide Old Age Pension comes into payment, at which point their PECRS pension is reduced by an agreed amount calculated by the Scheme Actuary.

Effectively, members eligible to access the OAP Adjustment option will be contributing members who, as at 1st January 2019, remain in the PECRS under the Existing Members Regulations or New Members Regulations.

When the Transitional Regulations were lodged in August 2015, it had been decided that, from 1st January 2016, the OAP Adjustment option provision in the New Members Regulations and the Existing Members Regulations would cease to have effect. This was done for a number of reasons, including –

- The calculation is completed on a cost-neutral basis; however, if a member’s State Retirement Age increases after the pension is put into payment, it is no longer cost-neutral and there is a financial cost to the Fund.
- It is highly complex from an administrative perspective, particularly in light of the moving Island-wide retirement age.
- It is an added expense to the Fund running costs, as in each case, individual actuarial calculations are required, and in some cases 2 and 3 individual calculations. It is also costly in light of those who then decide not to take up the option.
- It increases the opportunity for pension calculation errors.
- The removal of the OAP Adjustment option would allow the Dedicated Pension Unit to complete all pension calculations in-house and at a lower cost to the Fund.
- This type of option is now considered outdated and not appropriate, as departments strive to modernise and streamline processes going forward.
- Similar options have been removed from most U.K. schemes.
- Removal of the OAP Adjustment option is supported by the PECRS Scheme Actuary.

A small number of members opt to take up the OAP Adjustment option each year (an average of 6% of retiring members per annum), mainly members of the uniformed services.

The Joint Negotiating Group (JNG) negotiates pension matters for the majority of States employees, and asked that the SEB reconsider the decision to remove the OAP Adjustment option as at 31st December 2015, and put forward the following proposal –

- “For PECRS members who qualify for and opt to take up protection, the OAP Adjustment to be retained as a benefit.
- The OAP Adjustment to remain as an option for current PECRS members until 31st December 2018, when it will cease to be available.”.

On 19th October 2015, the SEB agreed to the JNG’s proposal.

The proposed amendment –

- adds a new transitional provision now contained in Regulation 7(12) of the Transitional Regulations, so as to provide that the OAP adjustment option under Regulation 15 of the Existing Members Regulations or New Members Regulations, respectively, would only apply if a contributing PECRS member eligible to elect for that adjustment, had before the date of his or her transition to the proposed new Scheme, so elected for that adjustment to be made;
- removes the paragraphs in Schedule 1 to the Transitional Regulations which would otherwise repeal Regulation 15 of the Existing Members Regulations and the New Members Regulations, respectively;
- makes a number of minor consequential amendments to Schedule 1 to the Transitional Regulations as a result of retaining Regulation 15 of the Existing Members Regulations and the New Members Regulations, respectively;
- would, in Schedule 2 and effective from 1st January 2019, remove PECRS deferred pensioners’ entitlement to elect for the OAP adjustment option.

Financial and manpower implications

This amendment will retain the need for the Administrator to process the Old Age Pension Adjustment option for continuing contributing members until approximately the mid-2020s, by which time any remaining eligible continuing contributing PECRS members would have retired. It is expected that retaining the OAP Adjustment option for this period will cost the PECRS fund around £20,000 per annum in actuarial and administrative costs.