

STATES OF JERSEY



DRAFT SOCIAL SECURITY (AMENDMENT OF LAW No. 5) (JERSEY) REGULATIONS 201- (P.15/2013) – AMENDMENT (P.15/2013 Amd.) – COMMENTS

**Presented to the States on 18th March 2013
by the Minister for Social Security**

STATES GREFFE

COMMENTS

States Members are strongly urged to reject this amendment on the grounds that it more than doubles the immediate cost of the proposal and will create substantial additional costs which will be felt over several years.

In December 2012, the States agreed P.97/2012, which proposed adjustments to the old age pension rate to bring it in line with the increase in RPI (pensioner) in 2012. Rather than the original increase of 1.5%, pensioners would receive a 2.9% increase backdated to October 2012. The Regulations now lodged as P.15/2013 implement this decision. If approved, the pension rate will rise by £2.59 per week from £187.25 up to £189.84 in May 2013. In addition, an old age pension adjustment payment of £80.29 for a pensioner receiving a full rate pension will compensate for the period between October 2012 and May 2013. The cost of these additional amounts is estimated at just over £2 million for the 12 month period from October 2012 to September 2013.

This amendment extends this proposal by including an additional adjustment. The weekly amount would increase by £6.32, rather than £2.59, and the full rate old age pension adjustment payment would be £195.92. The total cost of these adjustments is estimated at just under £5 million for the same 12 month period.

In summary:

	<i>Current pension rate</i>	<i>P.15/2013 proposal</i>	<i>Amendment</i>
Weekly pension rate	£187.25	£189.84	£193.57
% increase from September 2012 rate of £184.45	1.5%	2.9%	4.9%
OAP adjustment payment (full rate single pensioner) – lump sum amount		£80.29	£195.92
Additional cost for year ending 30th September 2013		£2.04 million	£4.95 million

In addition to the immediate cost of the amendment, the increased level of the pension will result in significant additional costs over the next few years. Using the economic estimates set out in the Medium Term Financial Plan and the current number of pensioners as an illustration, the additional cost of the amendment would amount to a further £11.6 million over the following 3 years, compared to £2.4 million using the original proposal.

Using these assumptions, the final cost of the amendment would be even higher, as the pension index will still be above the earnings index for the 2016 uprate, requiring further adjustments in 2016 and possibly beyond.

The exact costs of the proposal and the amendment will depend on the values of the RPI (pensioner) index and the average earnings index over the next few years but, whatever the actual values, the cost of the amendment will be far greater than that of the original proposal.

As the amendment seeks to compensate pensioners for the 2011 uprate as well as the 2012 uprate, and the payments will be made to all current pensioners, there will be upwards of 1,000 younger pensioners who will receive these additional sums in respect of periods before they reached pension age.

As discussed in the December debate, the old age pension is paid throughout the world. In respect of local pensioners, Jersey already has in place a range of measures available to pensioners on low to middle incomes. These include Income Support (including specific disregards for pension income), Christmas Bonus, Food Cost Bonus, Cold Weather Bonus, Jersey 65+ Health plan, free TV licences for over-75s, the Energy Efficiency Service and free bus passes. These are well targeted at local pensioners who require extra assistance. By contrast, the amendment would provide additional pension income to all pensioners, regardless of their circumstances, and throughout the world.

Conclusion

During the autumn of 2012, Ministers worked together to design a scheme to provide old age pensioners with an additional pension uprate that took into account the increase in the cost of living for 2012. This was debated by the States last December and P.15/2013 has been prepared in the light of that decision – to compensate pensioners in line with a 2.9% increase for 2012.

The amendment proposes a much larger increase in the pension, above and beyond that already agreed by the States. This will cost an additional £2.95 million for 2012/13, but most worryingly the additional cost to the Social Security Fund will be felt for several years to come; and during the following 3 years could cost more than £9 million in excess of the current proposal.

Members are urged not to support this Amendment. Instead, members are asked to acknowledge that the volatility in the economic climate and the relative strength of the Jersey old age pension suggests a more measured approach is appropriate. As proposed in P.15/2013, the adjustment in the old age pension should be limited to provide a total increase of 2.9%. To provide an uplift of 4.9% is likely to add at least £12 million to our pension bill at a time when all Islanders are seeing a contraction in the spending power of their income, and unemployment levels amongst local residents are at an all-time high.