

# STATES OF JERSEY



## **DRAFT SOCIAL SECURITY (AMENDMENT OF LAW No. 4) (JERSEY) REGULATIONS 201- (P.101/2012): AMENDMENT (P.101/2012 Amd.) – AMENDMENT**

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**Lodged au Greffe on 26th November 2012  
by Deputy J.H. Young of St. Brelade**

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**STATES GREFFE**

DRAFT SOCIAL SECURITY (AMENDMENT OF LAW No. 4) (JERSEY)  
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AMENDMENT

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**PAGE 2, AMENDMENT 1 –**

In the substituted paragraph (1)(b) of the inserted Article 54(C) for the words “has attained the age of 57” substitute the words “has attained the age of 55”.

DEPUTY J.H. YOUNG OF ST. BRELADE

## **REPORT**

### **Summary**

My amendment seeks to ensure that the reduced entitlements to benefits payable to survivors on the death of a husband or wife from the Social Security Fund does not adversely affect individuals, both men and women, who at the date of the introduction of these new Regulations will have reached the age of 55 years. If my amendment is adopted, the entitlement of this group of individuals to survivor's pensions will be protected until they reach the age of retirement.

### **Introduction**

The draft Regulations lodged by the Minister on 9th October 2012 seek to implement the decision made by the Assembly in July 2011 (P.105/2011) requiring the Minister to review survivor's benefits available in Jersey to achieve an annual reduction in expenditure of £5 million from the Social Security Fund. The rationale for this decision seems to be that our survivor's benefits are based on an outdated view of the respective roles of men and women in society; are too generous compared with other jurisdictions; and are payable to survivors at any age, irrespective of their financial circumstances, including their ability to financially support themselves.

### **Proposal and Minister's own amendment**

The draft Regulations lodged by the Minister on 9th October 2012 seek to implement this decision, which is eventually intended to produce annual savings of £3.6 million which will build up over the years. I met with the Minister on 1st November 2012 with his adviser, together with Deputy J.A. Hilton of St. Helier, on behalf of the Scrutiny Panel, to discuss our concerns about the adverse effect of this withdrawal of future entitlement to survivor's pensions on those people who are now within 10 to 15 years of reaching retirement age. This group is likely to include some people who have remained homemakers throughout their lives, are entirely dependent on earnings provided by either their deceased husband or wife who, in many cases, may be older than themselves. Those with dependent children will be protected by the Regulations, but those of middle age who have brought up their families, will lose that entitlement. In reality the statistics indicate that the majority of those who may be affected by the change will be women.

### **Statistics and estimated impact on the number of future claims**

Annually, approximately 80 persons are awarded survivor's benefits on the death of their husband or wife: of those in 2011, 41 people over 55 years of age were awarded survivor's benefits. Of this number, 34 were women, only 7 were men. It is estimated that if the Regulations are introduced unamended, over the period until they reach retirement age 199 survivors who are presently over 55 years of age will not be able to claim survivor's pension until they reach retirement age; of these, 128 people are presently over 57 years of age; of these, 50 are presently over 60 years of age.

## **Transitional arrangements**

For those currently over the age of 55, I believe there is insufficient time for them to build up adequate private pensions; and opportunities to enter employment are likely to be more difficult than for younger people. Life insurance premiums start to become unaffordable, and for many with poor health, unobtainable. In my opinion, this adverse impact of the change on this group has to be moderated by introducing a transitional arrangement into the Regulations. Not to do so would simply be unfair.

I am very pleased that the Minister has responded to this need and submitted his own amendment. However, in my judgment, we should not spoil the purpose of this protection by limiting it purely for financial reasons. The case for providing this protection is as strong at 55 years as it is for 57 years, now proposed by the Minister's own amendment. It is fair and equitable to extend this protection to those currently 55 years of age.

## **Financial and manpower implications**

The Minister's own amendment is estimated to cost a cumulative total amount of between £2 million and £2.5 million over the 7 year transitional period. My amendment would extend this transitional period to 10 years; in this case I am advised that the total cumulative cost to the Social Security Fund over the 10 year period is estimated to be £4.5 million.

Although the impact of transitional arrangements in early years is greater because the number of new survivors protected over the years reduces, the average annual cost viewed over 10 years is £450,000. Compared to the equivalent annual cost of £225,000 arising from the Minister's own amendment, the extra average annual cost of my amendment is £215,000. This is already being met from the Social Security Fund and should be regarded as savings foregone.

The report to the draft Regulations says that the impact of the all the changes proposed by the Minister will eventually produce annual savings of £.3.6 million. As the forecast cost of the Minister's own amendment and effect of my similar amendment shows, most of these savings will be unaffected. The majority of these arise from withdrawing survivor's pensions from individuals younger than 55 years, whose pensions are paid for many more years than those aged over 55.

If my amendment is adopted, the Regulations will still achieve a major saving, but will do so in a more fair and equitable way.

There are no manpower implications arising.