

STATEMENT TO BE MADE BY THE MINISTER FOR SOCIAL SECURITY ON TUESDAY 11TH OCTOBER 2016

Today, I am pleased to launch a major review of the Social Security Scheme.

I would like to start with a very quick look back at my predecessors.

It was Senator Philip Le Feuvre who guided the original Social Security Law through the States against significant public opposition.

- 13,000 people signed a petition against the introduction of the new law;
- 1,500 people expressed their disapproval at a meeting in People's Park; and
- A coffin was carried through the streets as part of the final demonstration.

Despite this public outcry, Senator Le Feuvre stuck to his principles and received the support of States Members for the introduction of a compulsory insurance scheme to provide pensions for local workers.

That was back in 1951 and there have been many changes since then.

A common theme runs through this area of social policy – politicians who have understood the need for long-term planning and have taken decisions, sometimes unpopular, to ensure that this Island has a healthy pension scheme to support workers in old age.

The last major review of Social Security was conducted 20 years ago. Senator Terry Le Sueur was the Committee President at that time. In the late 1990s he understood that the number of pensioners would start to rise as the baby boomer population moved towards pension age and that by taking action early he would place the Social Security Fund in a good position for the future. He carried through significant increases in contribution rates over a 5-year period to allow a reserve to build up. As a result of that foresight, the Social Security Fund now has total assets of £1.4 billion.

That said, those same baby boomers are heading to retirement now and the problem of an ageing population is no longer in the future.

The Department's annual report, published last week, shows the total number of pensioners drawing a Jersey pension has risen above 30,000 for the first time. Pensions in 2015 cost £167 million, that's just under 80% of the cost of all benefits paid out of the Social Security Fund last year.

The Social Security scheme in Jersey supports the cost of pensions and a range of working age benefits. These are mainly designed to support workers at times when they are not able to work. As well as sickness benefits, support is provided to new mothers, to carers and to people who have recently lost their partner. All these benefits are paid for out of contributions received.

Alongside the Social Security Scheme, the Department provides health and long-term care benefits that are also funded through contributions into separate funds.

However, support for low income groups is not paid for from these contributory funds. Instead, Income Support and other means-tested benefits are paid for using an allocation of taxpayers' money, agreed by the States from year to year.

It is now time to look again at the contributory Social Security scheme, and plan for the next 20 years. Previous generations have been well served by the Fund and I want to pass this on to the next generation.

It is important to remember that Jersey's Social Security pension is based on 'pay as you go' meaning that your contributions are not saved in your own 'pension pot' and each generation relies on the next to pay for their Social Security pensions.

Over the next 20 years, the number of people over 65 will increase significantly while the number of people under 65 will stay roughly the same. This will mean that the number of working age people supporting each pensioner will fall. Most other developed countries are also facing this challenge now.

The Social Security pension is an important element in the income we look forward to in retirement. However, it is just one element of retirement income and we need to review this area as a whole.

Today we are publishing the first part of our review, "Living Longer: Thinking Ahead." This asks for public feedback on the issues of income in retirement and the Social Security scheme. This is the start of a public conversation that will help to set the direction of Jersey's Social Security scheme and retirement income system for the next 30 years.

We are generally living longer and healthier lives, and many more people enjoy active lives into their 80s and 90s, our Queen for example.

This is a great achievement, but it means that we face new challenges. One of these challenges is making sure that we will have enough income and savings to look after ourselves after we have stopped working.

We need to understand the public's views on living longer and having a longer retirement so that the government can play the right role in helping people to save for their retirement in the future.

People can save for their own retirement, they can decide to carry on working, some workers are enrolled in a workplace pension scheme and others choose to invest in a private pension.

It is also true that many people working in Jersey today have not made any plans for their retirement.

Questions we need to ask ourselves are:

- How should we plan for these extra years?
- Do employers have a role to play in encouraging the working-age population to save more for their retirement?
- Can the government do more to help people make their own arrangements for retirement?
- What role should the Social Security pension play?
- Do we need a compulsory workplace pension? - for example, last week I spent the day with the Guernsey Social Security ministerial team and they gave us details of the workplace pension scheme that they are developing.

This is an opportunity for government, employers and citizens to work together and ensure we find the right solution for Jersey.

I'm on record as saying: "**Every good Minister listens to advice.**"

My approach, as clearly set out when I stood for election as Minister for Social Security, is based on 3 principles: affordability, balance and common sense. Of course, this is not as easy as A, B, C but I think this is a reasonable framework to engage with our community and to explain what we are trying to do with the resources available.

I will expect my ABC of political decision-making to guide this review.

- We need plans that are **affordable**.
- We need to get the right **balance** between the responsibilities of different generations.
- We need to always draw on **common sense** – we are a small island and must concentrate on providing simple, clear support. Importing grandiose schemes from bigger countries is unlikely to be the answer.

Alongside this general examination of income in retirement, we also committed in last year's Medium-Term Financial Plan to a major review of the Social Security Fund itself.

Many aspects of our current scheme have remained essentially unchanged since the Social Security Law was introduced in 1974, some 42 years ago.

Refreshing my political alphabet for this part of the review we will be looking at the A, B, C of the Social Security scheme:

- **A – Age** – whether we should look at increasing the Social Security pension age beyond 67
- **B – Benefits** – whether we should limit the amount of money people receive from the scheme: this could be for pensions or working age benefits or both
- **C – Contributions** – whether we should increase the amount of money paid into the Scheme – who should pay more – employers, employees, higher earners, everyone?

The consultation “Living Longer: Thinking Ahead” that I am publishing today sets out these high-level questions and is just the first stage in this review. At the same time, the UK government actuary has almost finished his 3-yearly review of the state of the Social Security Fund and this will be released before the end of the year.

In 2017 we will be publishing more detailed information and a second public consultation including some costed options for future changes.

From all the views gathered, I hope to publish a firm set of recommendations before the elections in 2018, giving clear guidance to the next Council of Ministers as to the wishes of the public and the costs and benefits of different options.

Action is needed, but The Social Security Fund is in a healthy position and there is no need to make any hasty decisions. If it is decided to make changes to the scheme, they can be phased in during the 2020s.

I do not underestimate the scale of this work, nor the time it is going to take. Nor, however, do I underestimate the significant opportunities this review presents to us.

Over the next few months there will be many ways for people to express their views – as well as a printed consultation paper, we will be publishing information on the gov.je website and through social media. We are keen to hear from everyone. For example, visits to schools will be just as important as meetings with business organisations.

I am honoured to be the Minister responsible for this next phase of the Social Security Fund and I hope that all Members will actively participate in the review and encourage the general public to express their views and help us shape the future of the Fund.