

**WRITTEN QUESTION TO THE MINISTER FOR SOCIAL SECURITY
BY DEPUTY G.P. SOUTHERN OF ST. HELIER
ANSWER TO BE TABLED ON TUESDAY 19th JANUARY 2016**

Question

Does the Minister consider that the table below illustrates the impact of her replacement of a fixed disregard with a 23 percent disregard for pension income for those newly claiming Income Support (IS) in 2016 on disposable income after housing costs for a single pensioner?

	£	£	£	£	£
Weekly pension income	60	90	120	150	Full 200
Income Support adult and household	145	145	145	145	145
Old fixed disregard	55	55	55	55	55
Less regarded income	-5	-35	-65	-95	-145
Net disposable income	200	200	200	200	200

New 23% disregard	14	21	28	35	46
Less regarded income	-46	-69	-92	-115	-154
New disposable income	159	166	173	180	191

If so, does she accept that this change, designed to encourage workers to adopt secondary/occupational pensions, heavily penalises those dependent on a States pension and IS, taking them below the relative low income threshold of £200 and, if so, how does she justify this change?

Will she inform members what proportion of pensioners are dependent on a States pension only and how many have a second/occupational pension?

Will she further state what measures, if any, are in place/under consideration to encourage employers to set up occupational pension schemes?

Answer

Changing the calculation of the pension income disregard has not affected any pensioner households who are claiming income support at the end of 2015. The change is in respect of new claims and working age people who will reach pension age in 2016 or later.

This change was one of the measures taken to achieve a £10 million reduction in the 2019 benefit budget. This is equivalent to holding the benefit budget roughly steady over the Medium Term Financial Plan 2016-2019. This measure allows investments to be made in key areas such as meeting the increasing health care needs of an ageing population.

All of the benefit measures were carefully assessed against three objectives:

- *Promote financial independence*
- *Improve the targeting of benefits*
- *Minimise the impact on individuals*

Promoting financial independence includes encouraging workers to save towards a pension for their old age. The new pension income rule means that a working age person who has made more provision for pension income in old age (for example, by paying into a pension scheme) will have a higher household income if they should reach pension age and need to claim Income Support, compared to someone who has made less provision.

With the previous rule, if someone expected to claim Income Support in old age, there was no incentive for that person to maximise their pension income. The total income, including benefit, was the same for a household claiming Income Support whether it had a small amount of pension income, or a large amount of pension income.

This change will create a fairer Income Support system in future, where households that have provided for their old age will be better off compared to those that have not.

This extract from the first table shows that the previous rule for pension income did not provide any incentive to do this. Household income, including income support, was the same for somebody who did and somebody who did not provide for pension income in later life:

Table 1: Previous rule for a single pensioner household eligible for income support with pension income only

Previous rule	£	£	£	£	£	£
Weekly pension income	60	90	120	150	200	300
Net disposable income (after housing costs)	200	200	200	200	200	200

The extra column confirms this point. A pensioner who had made provision for their own old age and had their own pension income of £300 per week but still required some assistance from Income support also had a net disposable income of £200 under the old rules, and was no better off than the pensioner who had not contributed regularly to a pension scheme and only received a pension income of say £100 per week. Although the examples in the table include pension incomes of the range £60 and £90 per week, it should be noted that there are very few pensioners receiving income support who have pension incomes at this low level.

The second table shows that the new rule does provide an incentive for working age people to provide for a higher pension income in later life. Net household income now increases as pension income increases.

Table 2: New rule for a single pensioner household eligible for income support with pension income only

New rule	£	£	£	£	£	£
Weekly pension income	60	90	120	150	200	300
Net disposable income (after housing costs)	159	166	173	180	191	214

At the end of 2015, only 8% of single pensioner households have pension income of up to £100 a week, whereas 32% of single pensioner households have pension incomes of £200 per week or more.

At the end of 2015, 31% of all income support pensioner claims which include a States of Jersey pension, do not include any other pension income or earnings. The remaining 69% have two or more income sources.

Information previously published indicates that the average total income of all pensioner households claiming income support was £218 per week at the end of 2014 and they received, on average, an extra £176 per week in income support.

Based on recent trends, roughly 200 people will start to receive the new pension disregard in 2016.

It should be noted that ‘relative low income’ describes a household that has a relatively low income compared to the “average” household, by Jersey’s standards. It does not indicate an income level below which it is necessary to maintain a certain standard of living for that household type. It does not take into account spending patterns which will vary between household types.

A commitment has already been made in the Medium Term Financial Plan to encourage workers to make better provision for old age. Page 129 confirms:

During the course of this MTFP, the Social Security Department will also work with the Treasury and Resources Department to promote financial independence in old age, and to encourage a higher proportion of workers to take up occupational pensions. For example, this could be achieved through changes in income tax or benefit rules, as well as the promotion of work-based pension schemes aimed at lower earners.