

3.17 Deputy R.G. Le Hérissier of the Minister for Social Security regarding the introduction of an auto-enrolment type pension scheme:

Does available data allow the Minister to estimate the number of employed persons who will not receive occupational pensions or receive limited pensions and, if so, is he contemplating the introduction of an auto-enrolment type scheme?

The Bailiff:

I am glad you understand that question, Minister. [Laughter]

Senator F. du H. Le Gresley (The Minister for Social Security):

Well, I am going to endeavour to provide an answer, Sir, so hopefully I will have understood it. The Jersey Annual Social Survey has looked at the issue of pension provision on several occasions in recent years. In these surveys the proportion of people who said that they had an occupational pension has varied between a third to just under a half. The survey asked about occupational pensions most recently in 2009 where 48 per cent of respondents had an occupational pension and 27 per cent a private pension. The survey also offers some context around these percentages, and in 2008 over half said they were worried about their standard of living in retirement, and in 2005, 12 per cent of respondents - that is one in 8 people - said they were relying solely on a social security pension either from Jersey or another country. So there does seem to be a fairly significant minority who do not have sufficient savings for their retirement. Faced with the same issue the U.K. introduced an auto-enrolment scheme where employees are automatically joined up to a work-based pension. The U.K. hopes this scheme will foster the habit of saving for retirement. Under auto-enrolment contributions are made by employees and employers into a pension pot. In the U.K. all employees will be legally obliged to join the scheme, even businesses with just one employee. At the moment my department is not actively researching an auto-enrolment scheme for Jersey but we are watching the U.K. scheme with interest. As Jersey's population ages the issue of pension provision will have growing importance to all Islanders and we should be prepared to give consideration to a wide range of options.

[11:15]

3.17.1 Deputy R.G. Le Hérissier:

I thank the Minister for leaving all options open. Could he tell me at what point he believes he may have to take decisive action and promote such a scheme?

Senator F. du H. Le Gresley:

I think we would need to do a survey which is in more depth than the Jersey Annual Social Survey which only touches a very small number of households. We would have to almost do an Island survey and I think this is something that we would do in conjunction with the Minister for Treasury and Resources because the issue of pensions and saving for retirement is not just a matter for Social Security, it is across 2 ministries, if not the whole of the States of Jersey.

3.17.2 Deputy J.H. Young:

Do the systems advise people throughout their working lives where they can anticipate pension shortfalls or do the systems of his department leave that until effectively people are very close to retirement and it is then too late to do anything about it?

Senator F. du H. Le Gresley:

Members of the public who have contributed through social security contributions to an old-age pension, can request a forecast of their likely pension. The Deputy is correct that most people do not really think about pensions until perhaps they are 5 or 10 years away from pension age. But we do provide forecasts and there is an ability to pay additional contributions but because these are paid at the maximum contribution level it is not an attractive option for many people.

3.17.3 Deputy J.H. Young:

Supplementary. Could the Minister just clarify that? Does that mean, for example, that if somebody requests a pension forecast halfway through their working life, say, they are not going to be told: "Wait until you are close to retirement", and when they do find they have a shortfall can they make lump sum retrospective contributions under the scheme to make that up?

Senator F. du H. Le Gresley:

Dealing with the second part of that question, I thought I had answered that in the Deputy's earlier question. People can catch up with contributions, so to speak, but the calculations are done at the maximum contribution level and that means that for some people the amounts required to be paid in to catch up year by year is significant and there may well be better options to invest that sort of money rather than put it into the States Pension Scheme. As far as requesting a forecast halfway through your career, I am not aware the department are willing to do this but something we could give consideration. But most people halfway through their career are focused on family and mortgages, and unfortunately pension entitlement is very low down the bottom of the list.

3.17.4 Deputy G.P. Southern:

The Minister clearly stated that he did not have auto-enrolment on his agenda, but surely in the light of the Government Actuary's report on the state of the pension fund and the prospect of up to 12,000 people solely reliant on that pension fund with the consequent demand on income support, is it not time that his department did get options to deal with this issue under consideration?

Senator F. du H. Le Gresley:

I would not dispute what the Deputy is saying there, it is something that we will be considering. It is not in this year's business plan, and I am sure that the next Minister will possibly give this a top priority. But the issue is that the Deputy refers to the Government Actuary report that came out very recently and the fund is in a very healthy position, and there are people, as we are aware, who have not paid sufficient contributions to receive a full pension. If they wish the State to get involved rather than make their own provision, that is something we can consider.

3.17.5 Deputy G.P. Southern:

The Minister has just said that the fund is in a very healthy condition. I understood that it was about to peak in terms of contributions and that it would start to go down from 2016 onwards.

Senator F. du H. Le Gresley:

It does not detract from the fact that it is in a very healthy position at the moment.

3.17.6 Deputy R.G. Le Hérissier:

Would the Minister not accept with the casualisation of labour, zero hours contracts, we have got the emergence of a group of people who will not benefit from proper pension schemes, and as an interim measure, given he is not going to move to auto-enrolment immediately, would he not negotiate with the Minister for Treasury and Resources with I.S.A. (Individual Savings Accounts) type schemes, schemes where people can put money into tax advantageous ring-fenced funds until auto-enrolment or its equivalent arrives?

Senator F. du H. Le Gresley:

The Deputy has thrown loads of information there into the ether, some of which unfortunately is not correct. The issue around people who are on reduced hours or zero hour contracts, provided they work more than 8 hours a week, the employer has to make a social security contribution and we have a thing called supplementation which would top up their contribution by means of taxes so that they receive a full pension. So people on part-time work or zero hours, as long as they work more than 8 hours a week and the employer does a social security return, they will receive a full pension during that period. As to the future, yes, there is more work to be done but we have a very full agenda for the next 6 months, much to the concern of my Scrutiny Panel, but we will press on and get the work done.

3.17.7 Deputy R.G. Le Hérissier:

Just a point of clarification. Would the Minister not accept my point was about the decline of occupational pensions not interference with the existing States pension?

Senator F. du H. Le Gresley:

I am not sure it is the role of Government to be interfering in occupational pensions. My understanding of an occupational pension, it is a decision between management and employees as to whether a pension scheme exists. The answer for those people who are not in those schemes, of course, is to take out a personal pension plan which provides them with a vehicle that they can take around with them and continue to pay in no matter what job they occupy.