

STATES OF JERSEY

# LIVING LONGER: THINKING AHEAD



## Consultation report

Your views on Social Security  
and Income in Retirement



Part 1. Social Security  
and Income in Retirement

R.52/2017

# 1 Contents

2	Executive summary .....	3
	Overview .....	3
	Living longer and retirement – what you told us .....	3
	Social Security Scheme .....	6
3	Latest developments and next steps .....	9
	Updated financial projections .....	9
	Next steps.....	10
4	Overview of the consultation.....	11
	The Jersey Opinions & Lifestyle Survey Report (JOLS) .....	12
5	Summary of who took part in the questionnaire.....	13
	Q1: How old are you?.....	13
	Q2: I identify my gender as.....	13
	Q3: What is your employment status?.....	13
6	Living longer and retirement.....	15
	Q4: When did you start saving for your retirement? .....	15
	I have not started to save for retirement.....	15
	I have not started to save for retirement... Why?.....	16
	Q5: I have started to save for retirement... Why did you start saving for your retirement then?.....	17
	Q6: How do you/did you save for your retirement then?.....	18
	Q7: Which of these areas do you think the government should look at in the next few years to help people to save for retirement? .....	19
	Q8: Please tell us about your ideas or experience about financially preparing for retirement and how the government can learn from this .....	20
	What the government should do more generally – encourage personal responsibility.....	20
	1. Personal savings and wealth - experiences, comments and ideas.....	22
	2. Working longer – experiences, comments and ideas .....	24
	3. Social Security pension – experiences, comments and ideas .....	26
	4. Private pensions - experiences, comments and ideas.....	28
	5. Workplace pensions – experiences, comments and ideas.....	30
	Experience of saving for retirement.....	31
7	Social Security Scheme.....	34
	Q9 a) Increase the Social Security pension age above 67 .....	35
	Q9 b) Set the value of the Social Security pension to go up less quickly each year.....	37

Q9 c) Tighten the rules for who can claim Social Security benefits .....	37
Q9 d) Reduce the range of Social Security benefits available .....	38
Q9 e) Increase how much people pay into the Social Security scheme .....	39
Q9 f) Increase how much businesses pay into the Social Security scheme .....	41
General comments .....	42
8 Workshop summaries .....	43
Discussion 1: What are the reasons for people worrying about their standard of living in retirement and what stops people saving for retirement? .....	44
Discussion 2: Do you think the government should do more in any of these areas to help people prepare for retirement? .....	44
Discussion 3: How do you think the department should change the Social Security scheme to keep it sustainable? What are the advantages and disadvantages? .....	45
9 Updated financial projections for the Social Security Fund .....	47
Current financial condition .....	47
Financial projections .....	48
Beyond ten years from now .....	49
Conclusions .....	50
10 Jersey Annual Social Survey 2015 - Pensions and retirement .....	51
11 Response rates – comparison with Jersey population structure .....	52
12 Previously agreed pension age changes in Jersey .....	53

## 2 Executive summary

### Overview

- 2.1 The Social Security Review – Part 1 (Living Longer: Thinking Ahead) consultation asked for the public’s views on living longer and retirement income, and the Social Security scheme. These areas are closely linked through the Social Security “old age” pension.

**The Social Security Fund is in good shape and there is no need to change the scheme for financial reasons before 2020. By starting the review, we are planning ahead and making sure that the scheme will be able to protect and support future generations, including providing an adequate Social Security pension.**

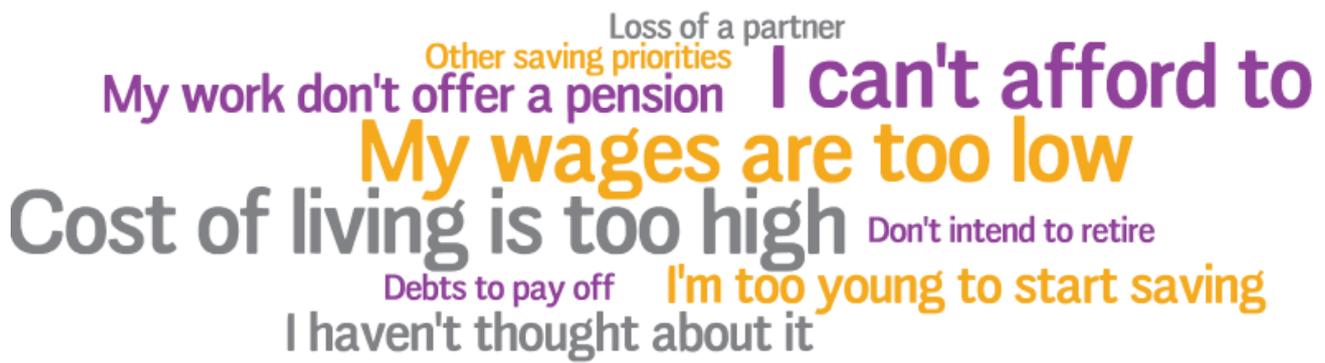
- 2.2 Over 1,300 people gave their views by completing questionnaires. Workshops were held with members of the public and representatives from interest groups and the business community. We also received written responses from the Jersey Finance Fiscal Strategy Group and Jersey Consumer Council which we have published alongside this report.
- 2.3 We have tried to accurately summarise the views, experiences and ideas of those who took part during the consultation. Due to the very wide number and range of responses it has been challenging to do this, but we hope that the report does justice to the views of all the people who took part.

**We are very grateful to everyone who took part in the consultation.**

### Living longer and retirement – what you told us

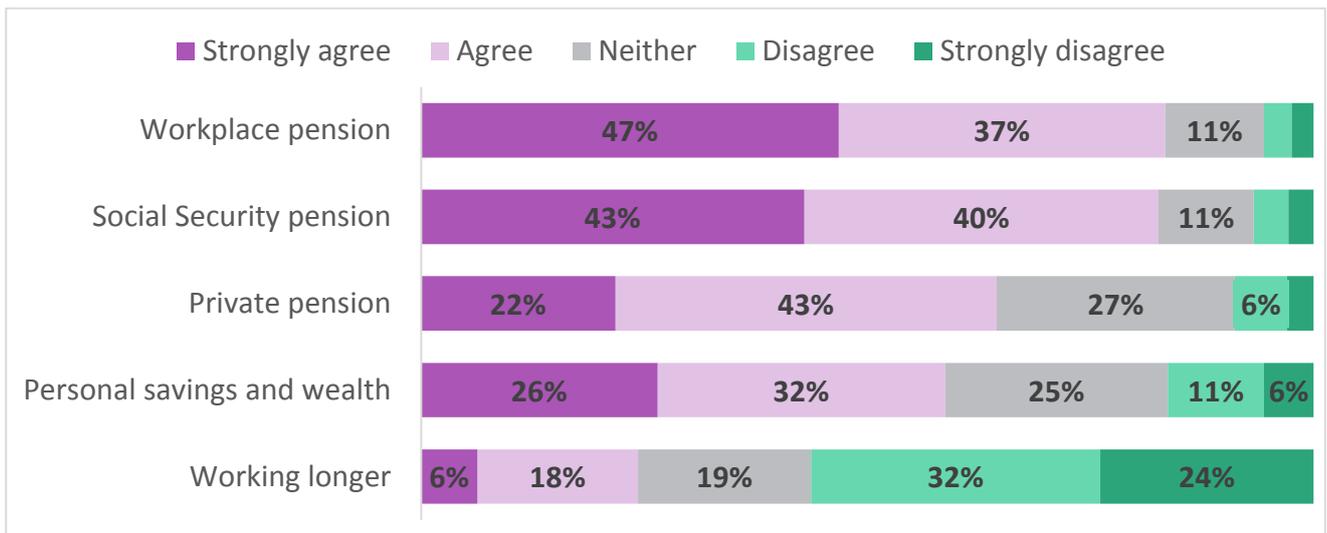
- 2.4 **72% said they have started to save for their retirement, and most of these did so in their 20s and 30s. 28% said they haven’t started to save for their retirement.**
- 2.5 **60% of people that have started to save for retirement said this was because their employer had offered them a workplace pension scheme.** Some also started because they thought it would be a good idea.
- 2.6 **By age group, 84% of the under 25s and 39% of 25-34 year olds said that they haven’t started to save for retirement.** Most of the older age groups said they have started to save.
- 2.7 **The non-savers generally commented that they could currently not afford to save for retirement because they felt that their wages are too low and the cost of living is too high.** There was a distinct tone of worry by many people who commented (savers and non-savers), for their current or future living standards in retirement.

**Main reasons given by people who said that they have not started to save for their retirement<sup>1</sup>**



2.8 People also commented on areas the government could look at in the next few years to help people to save for retirement. **‘Workplace pensions’ and the ‘Social Security pension’ were the most agreed with areas (84% and 83%), followed by ‘private pensions’ and ‘personal savings and wealth’.** **‘Working longer’ was the least popular option (56% disagreed at some level).**

2.9 Here are the overall results:



2.10 **Workplace pensions and personal savings and wealth were the most popular topics** discussed in the comments, with over 100 people leaving their views and ideas about them.

2.11 **The most popular themes to the ideas were that the government should:**

- 1. Promote or enforce workplace pensions**
- 2. Provide information and educate people about saving for retirement**
- 3. Provide incentives to encourage people to save for retirement**

<sup>1</sup> Credit to [www.wordle.net](http://www.wordle.net)

## Income in retirement

Topic	Main themes
<b>Personal savings and wealth</b>	<p>People should take personal responsibility for saving for retirement.</p> <p>Government should educate, encourage, help with living costs and help to increase incomes.</p>
<b>Working longer</b>	<p>People should be helped to work longer if they want to.</p> <p>People look forward to having a retirement.</p> <p>People in physically demanding jobs will not be able to.</p>
<b>Social Security pension</b>	<p>How big? “survival level” vs “comfortable standard of living”.</p> <p>Should it be means-tested? “people are entitled to a pension if they pay in” vs “pensioners with high incomes don’t need it”.</p> <p>Concern there will not be one in the future.</p>
<b>Private pensions</b>	<p>Government should encourage people to get private pensions.</p> <p>People shared bad experiences, no trust in private pensions and financial advisors.</p>
<b>Workplace pensions</b>	<p>Should be from a young age, when people first start work.</p>

Topic	Examples of ideas
<b>Personal savings and wealth:</b>	
Personal responsibility	Help people to financially plan ahead, e.g a life plan summary for everyone to complete
Educate	Lessons at school, information for people when they start work, Social Security scheme "welcome pack"
Encourage	Savings plans, saving scheme for low earners, tax incentives
Help with living costs	Make renting and housing more affordable, help people to buy a property
Help to increase incomes	Increase the minimum wage
<b>Working longer</b>	Support for retraining, more part-time jobs/flexible arrangements, educate business owners/recruiters
<b>Social Security pension</b>	Increase flexibility of when to take it, option to top it up, means-test it, send 5yr statements on pension entitlement
<b>Private pensions</b>	Increase options generally, increase options to those with lower incomes, publicise the options, better regulation
<b>Workplace pensions</b>	Promote workplace pensions, enforce workplace pensions, organise something on behalf of smaller businesses

2.12 Some people left comments describing their experiences of saving for retirement. Many of these describe difficult experiences.

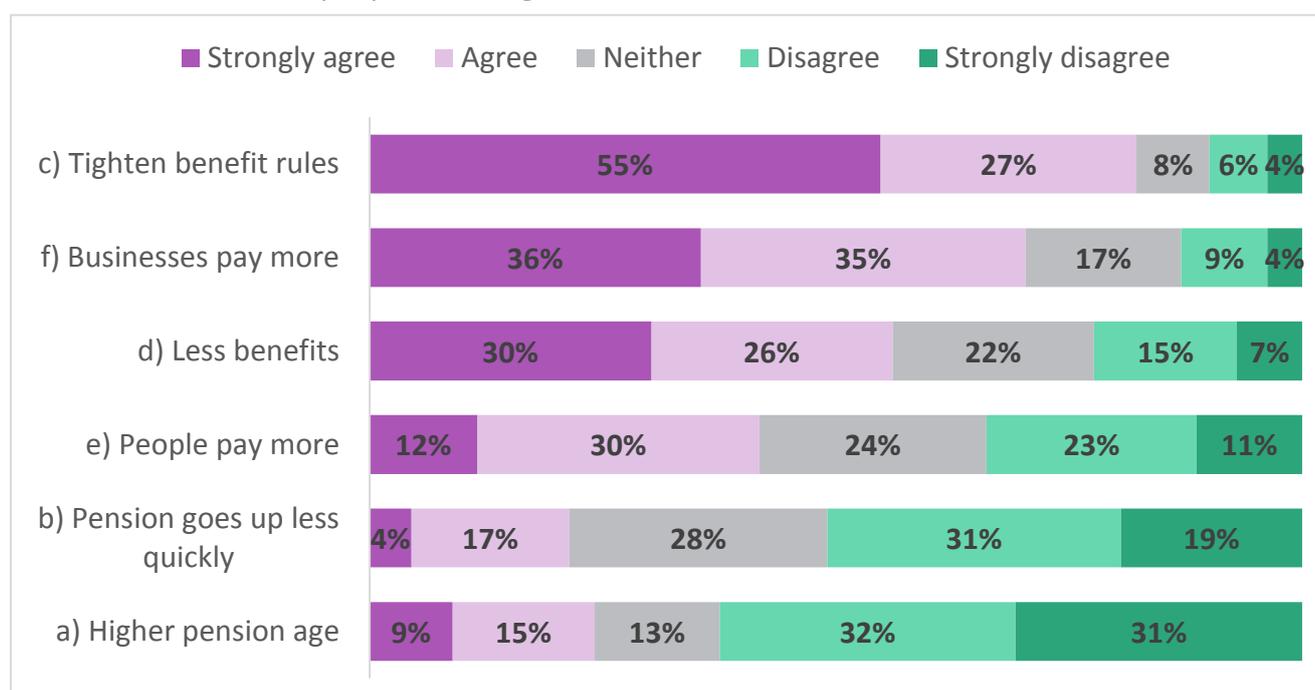
### Themes in experiences of preparing for retirement

	Under 25	25-34	35-44	45-54	55-64	65+
<b>No need to save:</b>						
Retirement is a long way off	✓	✓				
<b>Unable to save:</b>						
Low wages	✓	✓	✓	✓	✓	✓
High cost of living	✓	✓	✓	✓	✓	✓
Cost of children			✓	✓		
<b>Other savings priorities:</b>						
Paying off debts	✓	✓				
Saving a deposit		✓	✓			
University costs				✓	✓	
<b>Circumstances change:</b>						
Ill health, divorce, death				✓	✓	✓

### Social Security Scheme

2.13 We asked six multiple choice questions about the Social Security Scheme and the options we could look at in the next few years to adapt the Scheme to longer lives.

2.14 Here are the areas that people felt the government should look into:



- 2.15 **82% agreed at some level that we should look at the option of tightening the benefit rules and 56% the option of reducing the range of Social Security benefits available.**
- 2.16 Comments were wide ranging and many people also expressed their views on the Income Support system, which is not included in this review. We received ideas about how some of the Social Security scheme's contributory benefits could be changed or improved. These will be considered in the next part of the review.
- 2.17 **71% agreed at some level that we should look at the option of increasing how much businesses pay into the scheme.** The two main themes were:
- Increase the tax or contributions that big or UK businesses pay
  - Do not increase the tax or contributions that small businesses pay because this will reduce employment and close businesses down.
- 2.18 **63% disagreed at some level that we should look at the option of increasing the pension age above 67.** This was the option that was most disagreed with and this is consistent with the responses to the 2015 Jersey Annual Social Survey. Comments were similar to the "working longer" comments, as well the view that people over 50 years of age have less employment prospects.

## Mythbuster - working longer

Some people commented that if people work longer in the future, there will be less jobs available for young people.

The number of people reaching pension age is much higher than the number of school leavers each year. We will need more workers to take the place of those retiring. If people work longer, they will earn and spend more, which will support and create new jobs.

- 2.19 **50% disagreed at some level that we should look at the option of reducing how much the Social Security pension goes up by each year.** There were no themes in the comments as to why we should or shouldn't look at this.

2.20 **There was a mixed response (42% agreed, 34% disagreed at some level) to increasing how much people pay into the scheme.** People mainly commented that Social Security contributions for higher earners (those who earn above £50,160 in 2017) should not be capped.

### Social Security scheme ideas

Areas	Examples of ideas
<b>Increase pension age</b>	Support for retraining, more part-time jobs/flexible arrangements, educate business owners/recruiters.
<b>Pension uprating</b>	Increase by RPI.
<b>Value of scheme benefits</b>	Generally reduce them, better target them, reduce fraud and improve the maternity grant and allowance.
<b>Range of benefits</b>	More leeway to work when signed off, stop the "death grant".
<b>Individual contributions</b>	Increase for high earners, increase generally, lift or remove the social security contributions "cap". Each generation should pay for itself. Each individual should have their own 'pot'.
<b>Business contributions</b>	People and businesses pay the same, big businesses pay more.

### **3 Latest developments and next steps**

#### **Updated financial projections**

- 3.1 In January 2017, The UK Government Actuary's Department (GAD) review of the Social Security Funds as at 31 December 2015 was published. GAD's review examines the financial condition of the Social Security scheme and provides up to date long term financial projections.
- 3.2 At the end of 2015, the Fund reached a surplus balance of almost £1.4bn. This is better than expected due to the Fund's investments doing particularly well over the last few years.
- 3.3 The balance has built up over the last 20 years to save up towards the future pension costs of our population, which is increasingly living longer and receiving the pension for longer. It gives us time to plan ahead and make changes to the Social Security scheme gradually.
- 3.4 The Fund's balance is expected to remain stable over the next ten years, and then be mostly used up during the following 50 years.
- 3.5 However, this depends on three important assumptions – net migration, investment returns and the States grant - and there is considerable uncertainty for each.
- 3.6 In the review, the level of net migration is assumed to run at net +700 a year for the next 60 years. If actual figures are higher or lower than this, the Fund will be affected. For example, if net migration is less than +700 a year, the Fund will be used up more quickly. The States will debate and agree a new population policy this year.
- 3.7 The investment return assumptions are prudent, but it is possible that the Scheme's investments could perform worse than this in the coming decades.
- 3.8 The Social Security Scheme receives about £65 million each year from general tax revenues – the "States grant". The States grant is recalculated at the start of each Medium Term Financial Plan (MTFP) period.
- 3.9 In the MTFP 2016 – 2019, the States Assembly agreed to fix the States grant at its 2015 level until 2019. From 2020 onwards, it will return to the level it would otherwise have been, had it not been for the decision to fix it. In 2019 the next States Assembly will agree the grant for 2020-2023. For example, if this figure is lower than the calculated amount, the Fund will be used up more quickly.
- 3.10 If any of these uncertainties come to pass, this could require action to be taken on a shorter timescale. Section 9 provides more information.

## Next steps

In the next part of the Review during 2017 and 2018, we will look at:

- **Retirement income and saving** – building on the consultation comments and ideas, look at what the government should do to help people financially prepare for retirement. This includes – among other things – improving information, education and looking at the options to improve workplace and private pension provision.
- **Incapacity (illness and disability)** – review how working-age incapacity is assessed for both short-term and long-term conditions and identify what support (financial and non-financial) should be provided.
- **Contributory benefits** – given the strong themes in the consultation about reducing the range of benefits and tightening the rules on accessing them, build public understanding about the Social Security scheme benefits and consult on possible changes.
- **Class 2 contributions rules** – review the rules that are used to assess the contribution liability of people who are Class 2, for example self-employed people.

In 2019 we will look at **long term sustainability**. To prepare for the next Medium Term Financial Plan 2020 – 2023, we will review the long term picture, and develop options to adapt the Social Security scheme to living longer. Note that the contributions rates, and the standard and upper earnings limits (for example, the “cap”) due to their size and importance will be considered then.

## 4 Overview of the consultation

- 4.1 We are increasingly living longer and having longer retirements. Longer life brings with it a new challenge about how we should financially plan for these extra years and what role individuals, businesses, other organisations and government should play.
- 4.2 The Social Security Review – Part 1 (Living Longer: Thinking Ahead) consultation asked for the public's views on two main issues:

1. Living longer and income in retirement
2. The Social Security Scheme – particularly the “old age” pension

Sections 5 and 6 of this report summarise the responses to these parts of the questionnaire.

- 4.3 The consultation started mid-October 2016 and finished mid-January 2017. About 1,300 people gave their views by completing questionnaires which were available online and at key locations across Jersey. The consultation paper and questions can be found [here](#).
- 4.4 During this time, Social Security staff also ran workshops for people to give their views in person. The first workshop saw representatives of many local organisations and charities coming together to discuss the issues and give their views. There were 11 workshops attended by interested members of the public, two workshops at Highlands College and one at Hautlieu for students to take part and complete questionnaires. See Section 8 for a summary of the workshops held, all the notes to the workshops have been published alongside this report.
- 4.5 We thought very carefully about how we could encourage young adults to take part in the consultation, given that they will be most affected by anything that the government does in the future, and that they tend to be under-represented in consultations. Social media, online advertising and the college and school workshops helped to include more young adults in the consultation.
- 4.6 We also contacted the Portuguese and Polish Consulates for their advice and help with consulting the Portuguese and Polish speaking parts of our community and ensured the consultation was translated into these languages online.
- 4.7 The Jersey Finance Fiscal Strategy Group and Jersey Consumer Council also sent their comments on the Social Security Review, and these have been published alongside this report. The individual comments received have also been published separately.

**We are very grateful to everybody who took part in the consultation. We have tried to summarise their views, experiences and ideas in this report. They will be used in the next part of the Review.**

## **The Jersey Opinions & Lifestyle Survey Report (JOLS)**

- 4.8 The Jersey Opinions & Lifestyle Survey Report (JOLS) collects detailed information on a wide range of topics each year. It aims to provide everyone in the Island with a better understanding of social issues in Jersey, particularly the opinions and behaviours of the resident population, primarily so that policy decisions can be made from a more informed standpoint. The survey results can be considered broadly accurate and representative of Jersey's population at the time. Before 2016, the survey was called the "Jersey Annual Social Survey" (JASS).
- 4.9 The 2015 JASS included a section on pensions and retirement. The questions covered areas including: age of stopping work; encouraging a later retirement age; sources of income in retirement; standard of living in retirement; introduction of new pension schemes; and the sustainability of the Social Security scheme.
- 4.10 The consultation questionnaire quoted statistics from the 2015 JASS about income and standard of living in retirement, and views about the States providing an additional pension scheme. The questionnaire aimed to find out more detail behind some of the answers to help inform future policy development.
- 4.11 The value of the responses are in the overall themes, experiences and ideas shared with us, rather than the numbers of people who held a particular viewpoint. The responses reflect the views of the people who took part in the consultation, but they do not necessarily represent the views of all Islanders. The consultation responses help us to get beneath and understand the results of the JASS survey, which is designed to be representative of the views of Islanders.
- 4.12 The workshops also gave interested members of the public an opportunity to give their comments and ideas in person to the Social Security review team.

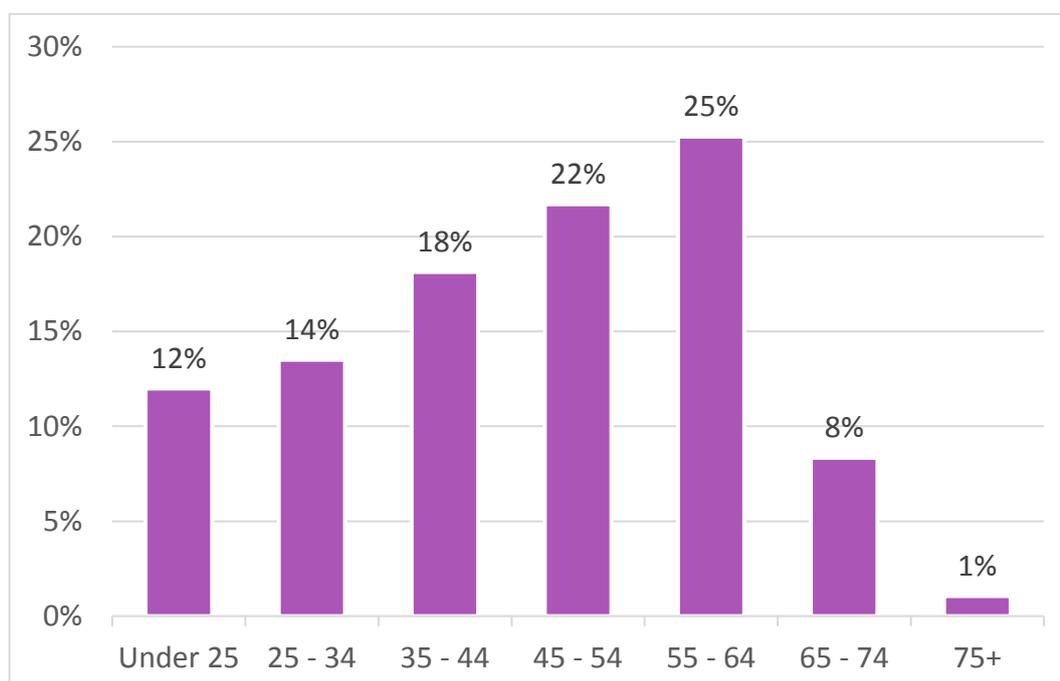
## 5 Summary of who took part in the questionnaire

5.1 The first section of the questionnaire asked for some personal information. This helps us to understand the responses and whether there are any views or themes that are specific to any groups of people who took part in the consultation.

### Q1: How old are you?

5.2 The most represented age group was the 55-64 years age category (333 responses, 25%). The least represented age groups were the 65 – 74 years and 75+ (together: 124 responses, 9%). Section 11 compares these response rates with the Jersey population structure.

### Age: % of responses in each age category



### Q2: I identify my gender as...

5.3 586 people (55% of responses) identified their gender as a woman and 721 people as a man (44% of responses) with 11 people (less than 1% of responses) choosing one of the other options: including not to disclose, trans\* or free-text.

### Q3: What is your employment status?

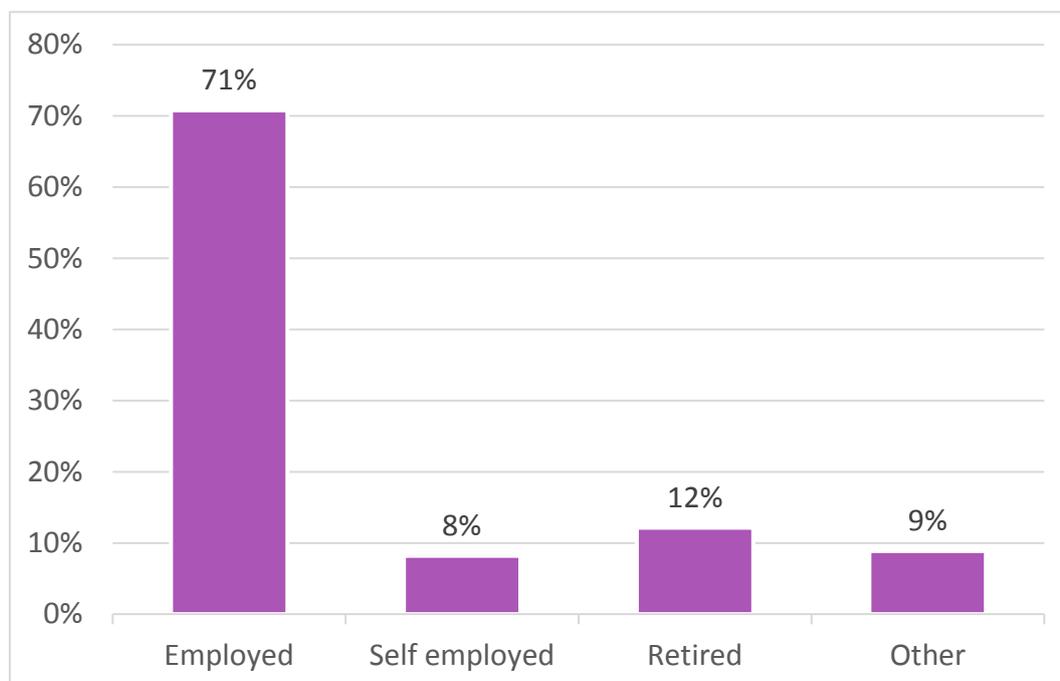
5.4 The majority of people who responded to the consultation were employed (931 responses, 71%), with the remaining responses being evenly split between self-employed (108 responses, 8%), retired (160 responses, 12%) and other (117 responses, 9%).

5.5 The other category includes people not in paid work. For example:

- students in full-time education

- unemployed people who are looking for work
- full-time carers of loved ones
- people looking after their family and home
- people who are unable to work due to illness or disability

**Employment status: % of responses in each category**



*Note: Other includes adults in full-time education and unemployed people, for example.*

5.6 In this report, where responses are broken down and discussed by gender, it was only possible to do so for responses from men and women. This is due to the small numbers of responses in the other categories of gender identification. However, all gender options are included in all the other discussions.

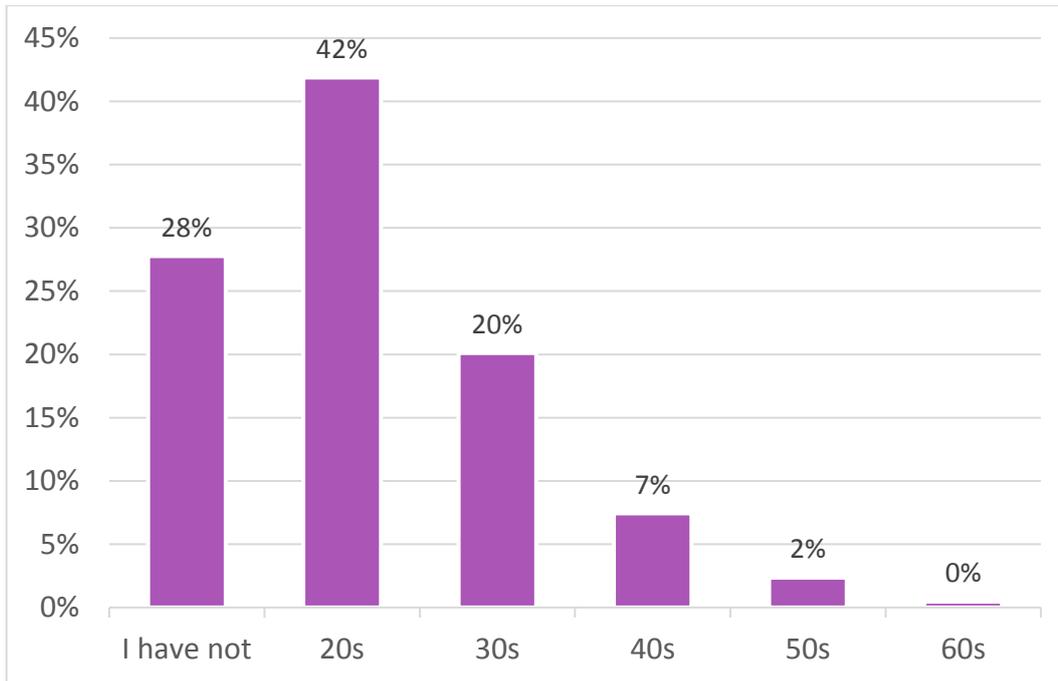
## 6 Living longer and retirement

6.1 In Section 2 of the questionnaire, we asked four multiple choice questions and one open question about financially preparing for retirement.

### Q4: When did you start saving for your retirement?

6.2 The first question asked “When did you start saving for your retirement?” 3 in 10 people (28%) replied that they had not yet started to save. 4 in 10 people (42%) replied that they started to save in their 20s, 2 in 10 in their 30s and 1 in 10 (9%) in their 40s or above.

### When did you start saving for your retirement? % of total responses in each category



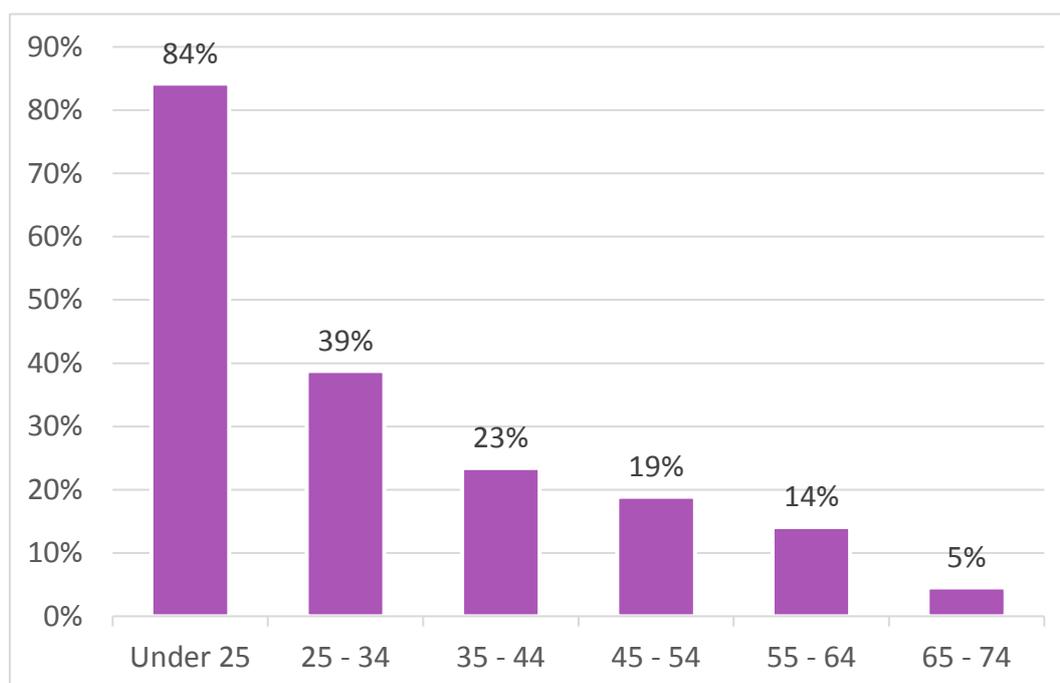
6.3 The picture is similar when the responses are considered by gender and employee/self-employed status.

6.4 The next part of this section looks at the responses for “I have not started to save for retirement” and then all the remaining responses (for people who have started to save for retirement) separately.

### I have not started to save for retirement...

6.5 Looking at this answer by age, as you might expect, younger people tended to choose this response (for example about 8 in 10 under 25s), but even in the older age groups, 1 or 2 in 10 people said this.

### People in each age group who said “I have not started to save for retirement”, %



- 6.6 21% of the men and 36% of the women who responded to the questionnaire said that they had not started to save for retirement. This is consistent with the findings in the 2015 JASS survey which showed that 24% agreed at some level that they are relying on the States to look after them in retirement<sup>2</sup>. The 24% figure is representative of Jersey’s population.
- 6.7 Looking at employment status, a similar proportion of employed (26%) and self-employed (28%) people who replied said that they had not started to save for retirement. A much smaller proportion of retired people (6%) and a much larger proportion of “other” 71% had not started to save. The other employment status category includes many younger people who are studying.

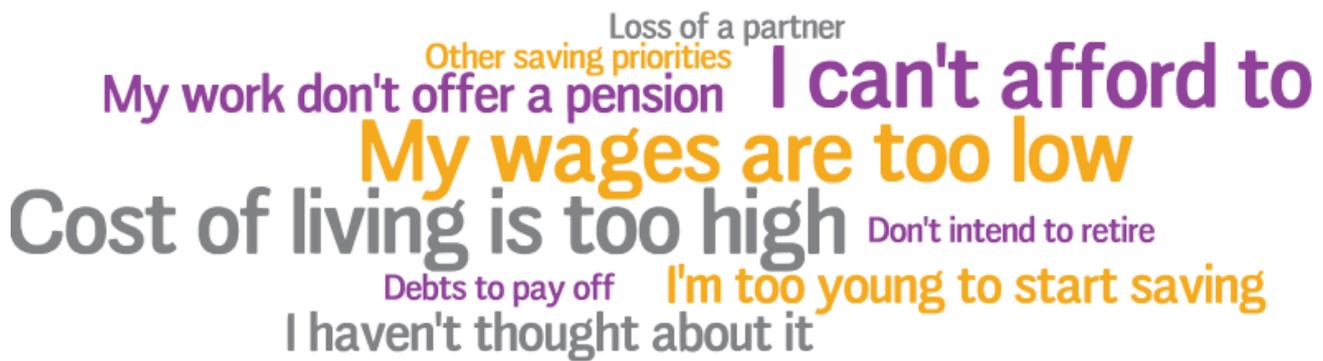
#### **I have not started to save for retirement... Why?**

- 6.8 About 1 in 5 people gave comments and reasons to why they have not started to save for retirement.
- 6.9 The majority of the comments centred on **not being able to afford to save for retirement**. There were many reasons given for this, the main ones being that wages are too low and the cost of living in Jersey is too high. This was a common theme for all age groups.
- 6.10 Considering the different age groups, the under 25s also mentioned **being too young** and **not having thought about it yet** as well as not being able to afford to save. The older age groups also mentioned unexpected changes in circumstances like the loss of a partner, or being made redundant.

---

<sup>2</sup> 2015 JASS survey, Figure 14.3, p56. 11% agreed strongly, and 13% agreed “I am relying on the States to look after me in retirement”.

## Main reasons given by people who said that they have not started to save for their retirement



(Credit to: [www.wordle.net](http://www.wordle.net) Note: word size is related to the number of times mentioned)

6.11 Many of these comments showed the respondents' strong emotions and feelings about not being able to save for retirement. **There was a distinct tone of worry by many people who commented, for their future and current living standards for those already retired.** This worry, and in some cases, anger, frustration and blame, usually related to the cost of living in Jersey and how they currently struggle to make ends meet.

**“Can't afford to put money away at the moment as we are trying to buy a house, get married and start a family”**

**“Because I have to live month to month for years now. My rent takes up nearly all my wages and we have ... no money at all for any type of savings let alone retirement.”**

**“I'm in my 20s...its unreasonable for someone in their 20s to have to start to save when they are just starting their adult lives.”**

**“Mortgage, then 3 children to put through university.”**

**Q5: I have started to save for retirement... Why did you start saving for your retirement then?**

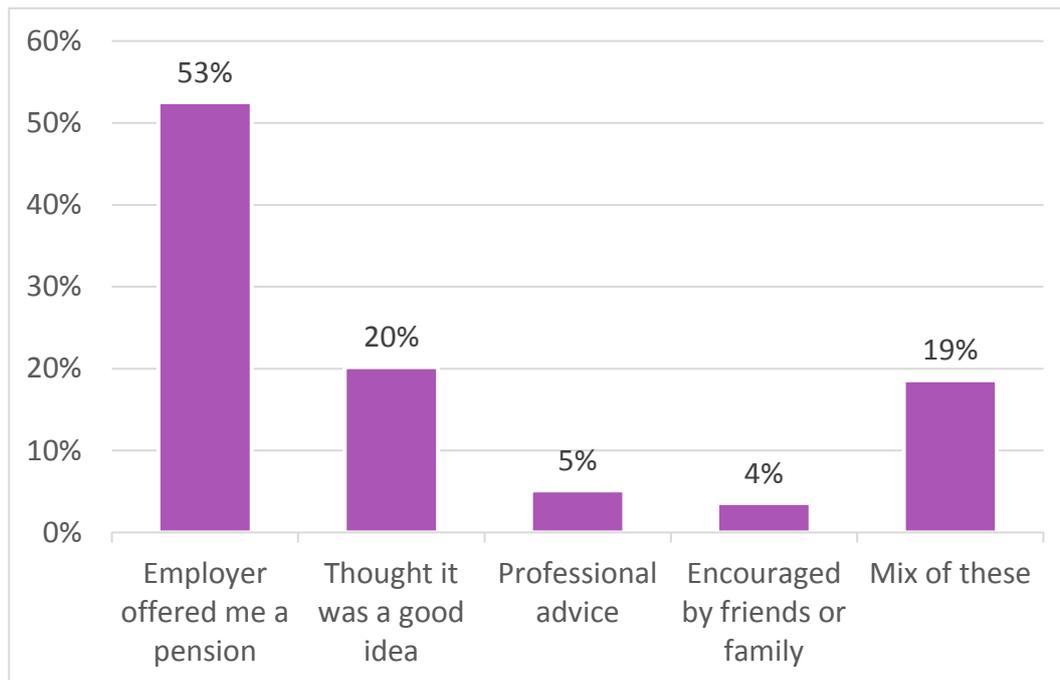
6.12 About 7 in 10 people who replied to the questionnaire said that they had started to save for their retirement. They could choose from one or more of four options:

- I thought it would be a good idea
- My employer offered me a workplace pension scheme
- My partner, friend or family encouraged me

- A financial advisor or other professional suggested it

6.13 **6 in 10 people (60%) said this was because their employer had offered them a workplace pension scheme.** 53% gave this as the only reason, a further 7% mentioned it as one of two or more reasons (“mix of these”). **3 in 10 people (27%) thought that it would be a good idea to start saving for retirement** (20% gave this as the only reason, 7% mentioned it with other reasons). Smaller numbers said that a close friend or relative (4%), or financial advisor (5%) suggested it.

**Reason why you started to save for your retirement (% of peoples’ responses)**



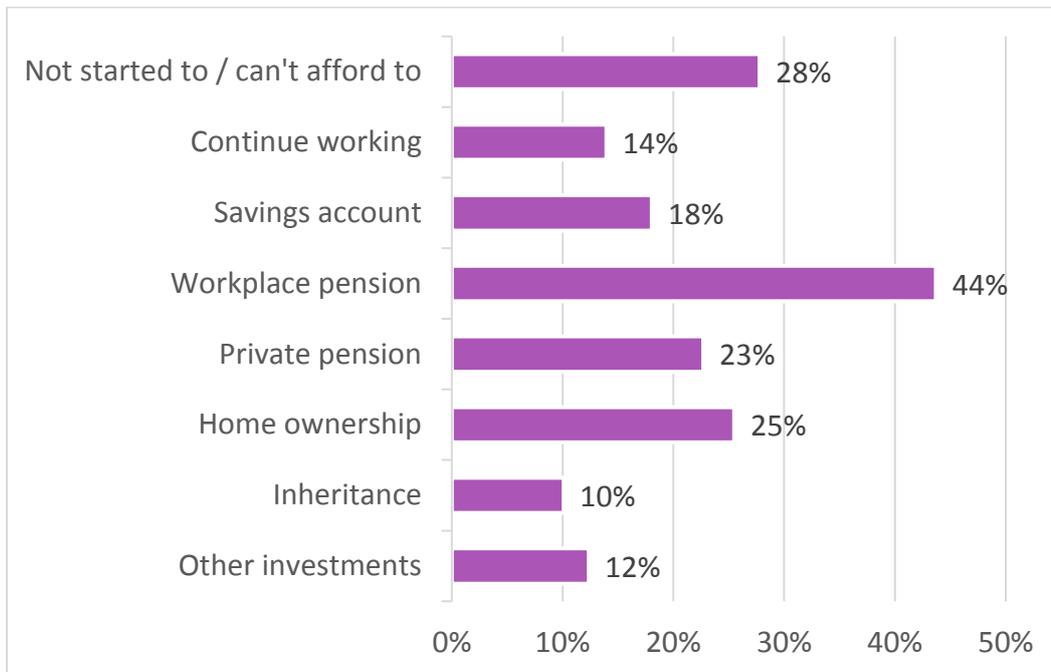
6.14 The picture is similar for men, women, by age group and for the age at which someone started to save for their retirement.

**Q6: How do you/did you save for your retirement then?**

6.15 There were nine options that people could choose from in this question and they could pick as many of them as they like.

6.16 The next chart shows the % of people who responded that chose one or more of the nine options. As in question 4, 28% of people who responded have not started to, or cannot afford to save for retirement.

6.17 The most frequently chosen option was a workplace pension (44%), followed by homeownership (25%) and private pension (23%). 14% chose continue working past pension age.

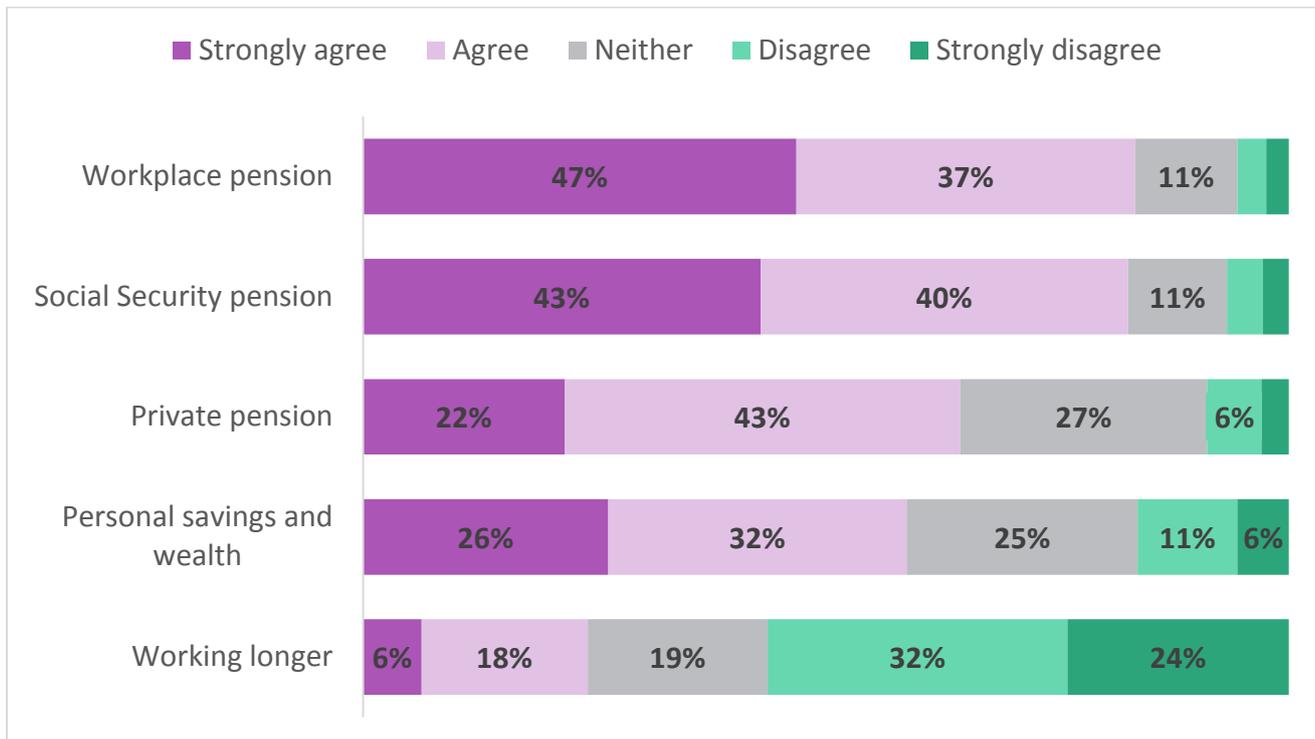


*Note: The bars do not add up to 100%, because people could choose more than one option.*

**Q7: Which of these areas do you think the government should look at in the next few years to help people to save for retirement?**

6.18 In this question we were looking for peoples' views on five areas that the government could look at which could help people to financially prepare for their retirement. People could choose between: Strongly agree, agree, neither agree or disagree, disagree or strongly disagree.

- Workplace pension **84% agreed at some level**, 5% disagreed at some level, 11% neither
- Social Security pension: **83% agreed at some level**, 11% disagreed at some level, 6% neither
- Private pension: **65% agreed at some level**, 8% disagreed at some level, 27% neither
- Personal savings and wealth: **58% agreed at some level**, 17% disagreed at some level, 25% neither
- Working longer: 24% agreed at some level, **56% disagreed at some level**, 19% neither



6.19 This response didn't change significantly by age or gender, but did vary for self-employed responses for two of the areas.

6.20 A higher proportion of self-employed responses (38% compared to the 24% for all responses) agreed that the government should look at ways to encourage people to work longer (37% disagreed, 25% neither).

6.21 A lower proportion of self-employed responses (58% compared to 84% for all responses) agreed that the government should look at workplace pensions (17% disagreed, 25% neither).

**Q8: Please tell us about your ideas or experience about financially preparing for retirement and how the government can learn from this**

6.22 The next part of this section describes the comments received for:

- What the government should do generally – encourage personal responsibility
- The five areas the government could look at in the next few years to help people to save for retirement.
- Experiences of preparing for retirement.

**What the government should do more generally – encourage personal responsibility**

6.23 Throughout the comments, there was an overall theme that government should encourage people to take personal responsibility for saving for retirement, where people are able to.

**“It is up to **individuals** to plan for their old age. There are too many people expecting the state/island to support them...”**

**“All unemployed people should only get a pension based on their own contributions and no 'top up' of income support. If people knew this in advance they would prepare **independently** instead of 'it does matter because there is always benefits'”**

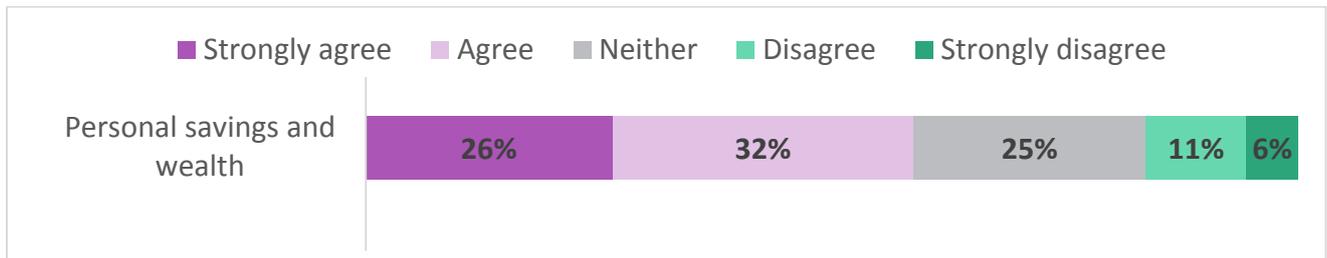
**“I have absolutely no doubt that Government needs to be very robust in requiring individuals to make their **own provision for retirement**. There definitely needs to be a shift away from thinking that Government will provide funding for those who have not helped themselves (and were able to). So this does not include disabled or those who have fallen on hard times through no fault of their own but does include those who have spent excessively with no regard to their savings.”**

6.24 And an idea to encourage personal responsibility:

**“Create a **simple pre-printed life plan** for every islander, send it to them in the post... Please use this form to ensure you clearly understand the timescales & have a clear **financial objective path** for rest of your life... years starting with this year & continue to 5 beyond the current life expectancy for that person...”**

## 1. Personal savings and wealth - experiences, comments and ideas

Which of these areas do you think the government should look at in the next few years to help people to save for retirement?



6.25 The overall themes, reflected across all age groups, are:

- No financial education at school and not enough information about retirement.
- The government should:
  - Educate and encourage the young to save.
  - Give information about saving for retirement, its importance and how much a person needs.
  - Help, encourage, incentivise people to save more, e.g savings plans, tax incentives, don't tax investment income.
  - Help people with living costs (like rent), increase the minimum wage, or help with buying a property.

**“Retirement saving in Jersey is falling way short of what it needs to be...”**

**“...I've advised my children just to spend as my death will give them both a house, there is no incentive to save with 0% interest and 2+% inflation”**

**“We were never educated at school on real life situations such as mortgages (the deposit), tax returns, pensions.”**

**“Stop taxing the States Pension! This would allow OAPs to work part time and not lose all the additional earnings in income tax and benefits. Many OAP are on the breadline and even £20 or £30 a week extra would be soooo welcome and beneficial.”**

**“...ISAs and similar should be available here...”**

“Increase the minimum wage to help people adjust to the higher cost of living so that people may be able to put aside something in their wage for a pension.”

“If it were easier to buy property in Jersey for young people, you would have more people saving. But for most it is just a dream because there simply isn’t enough affordable housing and young people are not helped enough...”

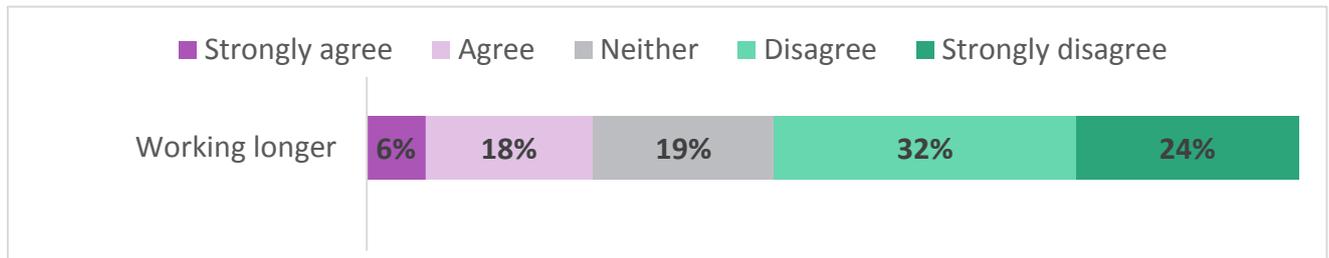
“In a society where tax rates are low, it is essential that residents plan for their future by contributing to pension schemes or other forms of personal savings. We are encouraged that this is an area within scope of the review as we consider it is one which needs a significant amount of attention.” *Jersey Finance Fiscal Strategy group written response*

“Teach children in school about using money for their future in a realistic way so they can see how important it is, give them a class where they are given a job earn the money and invest it. Each year of school could be a decade of their life and in the final year it can be retirement where they receive their fake money to live on and they can learn from their life choices if that's how they will plan their future, if it's all gone wrong for them but they see their friends have made better choices they will choose more wisely in their adult world”

“My idea for the future, to help people like myself, is maybe think about giving the future pensioners a savings book, that they bring into social every week so that they can make a payment of £3 - £5 - £10. This way it's going to help us with our savings towards our pension. It might not be much, but at least we will be trying.”

## 2. Working longer – experiences, comments and ideas

Which of these areas do you think the government should look at in the next few years to help people to save for retirement?



6.26 There were mixed views about expecting people to work longer. The overall themes are (across all age groups):

- Some people, particularly in physically demanding jobs, will not be able to.
- People should be helped to work longer if they want to.
- People look forward to having a retirement.
- Employers / people should be educated that older people should be allowed to work and not made to retire.

6.27 Note that the State pension age in Jersey is already going to increase to 67 by 2031 and that age discrimination regulations are now in place (and will be fully implemented by September 2018).

### Experiences

**“...I’ve worked in the building industry all my life and my body will struggle to make the old retirement age never mind the new one.”**

**“My father could have retired at 65 but is in good health and continues to work full time at 67 - he is planning on going to part time hours from his 68th birthday and I hope to be well enough and motivated to do the same.”**

**“Being self-employed and having a patchy record with contributions (moving around with husband, having children, divorce, long-term ill-health, not being able to get back into a job, caring, etc), I will need to work well past retirement age to make ends meet.”**

**“I have worked all my life until I was 70 years old, and at 60 I was forced to retire because it was company policy. And again I was forced to retire at 70, not because of company policy, but because the manager at the time, thought I looked too old in**

the public eye, not taking into mind that I was fully trained and still able to carry on. So I was not able to carry on working after 70, because of "Ageism"..."

“a lot of people **work very hard** all their life and shouldn't be made to work until they are too old or ill to **enjoy** what they have left of their **life...**”

### Ideas

“...**Help** for those who will realistically not be able to work in their roles due to increased retirement age : ie: manual labourers help them **re-skill** etc so they don't end up claiming income support and ... sickness benefit all because the retirement age is not realistic for their occupation.”

“Working longer - needs more **support and opportunity** for part-time and/or more **flexible working** arrangements.”

“...I think you should begin to **educate companies and people** to keep the older on and not force them to retire.”

### Jersey Annual Social Survey findings

6.28 The JASS 2015 asked a question “Which of the following would encourage you to work beyond normal pension age?”. The following table show the percentage of people that indicated the following would be a major encouragement:

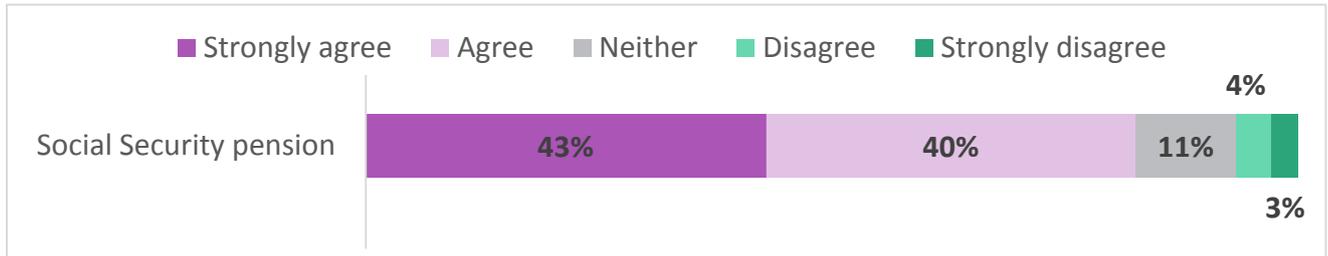
#### **Percent who indicated 'major encouragement'**

Higher value pension when you retire later	54%
Extra tax breaks for wages earned beyond normal pension age	32%
Opportunities for part-time working or job-sharing	27%
Less stressful job	27%
Less physically demanding job	19%
Retraining to change jobs	14%

6.29 Some of the consultation comments repeated these ideas, particularly around getting a higher pension when you work longer and/or claim it later, tax breaks and offering re-training.

### 3. Social Security pension – experiences, comments and ideas

Which of these areas do you think the government should look at in the next few years to help people to save for retirement?



6.30 The overall themes are:

- Different views on how big the Social Security pension should be – “survival level”, or “comfortable standard of living”, for example.
- Different views on whether or not the Social Security pension should be means-tested – “people are entitled to a pension if they pay in” vs “pensioners with high incomes don’t need it”.
- Some suggested the Social Security pension should be more flexible, for example being able to increase it with more contributions, or take the pension later than pension age.
- Some were concerned that there will not be a Social Security pension for them in the future.

#### Comments

“The **states pension** without any other provisions for retirement does not give an **adequate** living standard - it is a **poverty level** that is just not acceptable in Jersey.”

“... The basic SS pension should be just that and used as a **foundation** for retirement income.”

“The average Social Security pension paid out suggests that only a **minority** get anywhere near the notional 45 years of employment, but there seems to be little allowance made for this...”

#### Ideas

“...**Statements** to be issued by Social Security department every 5 years showing people what they have paid in % to their state pension...”

**“Basic States pension should be a 'safety net' only although it should offer a fully funded 'AVC (additional voluntary contribution) add-on' ...”**

**“...Would it be possible for those over say 50 to transfer their personal pensions into some kind of government approved (with named providers) scheme or to top up the States of Jersey pension?”**

6.31 A number of people commented - some for, and some against, means-testing the Social Security pension. Here are some comments:

**“Ensure that those who have other pension streams get less states pension, in order to reduce pressure of the states pension scheme”**

**“The main issue I face is the uncertainty - receiving a state pension is my right after having paid in... But not knowing when, or even if, it will still be available leaves a serious gap in my planning - too late (at my age) to rectify!”**

6.32 There were also some suggestions that the Social Security pension could be made more flexible, for example by giving people the opportunity to delay getting it.

6.33 Some people thought that the government should look at moving the Social Security Scheme away from being funded as a “pay as you go” scheme where today’s pensions are paid for by today’s workers, to a situation where people are paying into their own “pots” for their own pensions (or their own generation’s pensions).

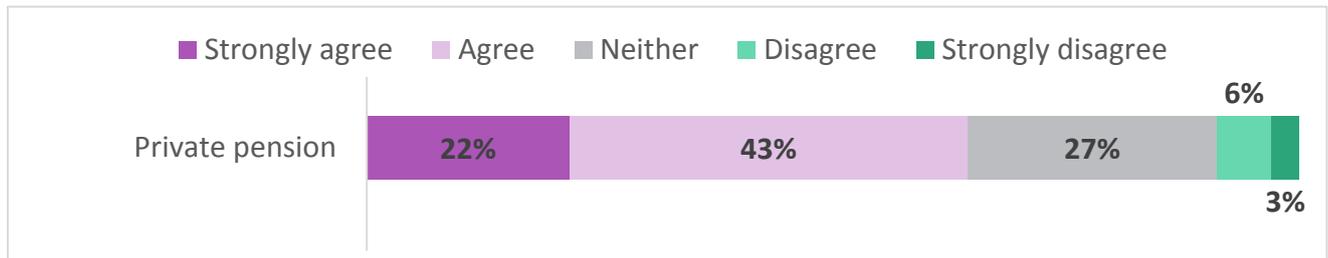
**“The social security system is fundamentally flawed in that it amounts to almost a Ponzi scheme. The amount paid into the system by an individual should be the amount available to draw when retiring.”**

**“Any increased contributions should be into a funded scheme to move away from a pay as you go system over time as the current system creates enormous inequality between generations...”**

6.34 Some were also concerned that there would not be a Social Security pension there for them when they reach pension age. **One of the main reasons for this review is to make sure that there will be a Social Security pension for future generations.**

#### 4. Private pensions - experiences, comments and ideas

Which of these areas do you think the government should look at in the next few years to help people to save for retirement?



6.36 The overall themes are:

- The government should encourage people to get private pensions, e.g. through tax relief
- There need to be more options for those with low and middle incomes
- People referred to bad experiences and a lack of trust in private pensions and financial advisors, and thought that the government should do something about this

#### Experience

“There are very **few options** for a private pension in Jersey, and the options that are available are **restrictive** with few options for **people with little disposable income** to invest what they have...”

“I have been lucky to be **encouraged by family** to set up personal pensions from a young age, but I am still **concerned** that the amount I saved will not be enough. Many of **my friends have no personal pensions** and will be **totally reliant** on the social security pension.”

“Took out a **pension plan at 24**, it matured this year after 26 years and was **worth a fraction of what I was expecting.**”

“I had **worked for a small Jersey company** for sixteen years... Trying to **trace the pension**, after I had retired ...I was informed that **it didn't exist!!**”

“...the likelihood is that people already need to ... give further consideration to the provision of sufficient pension income to support their retirement. Currently that knowledge and understanding is not well known by the consumer.” *Jersey Consumer Council written response*

“I'd like to see **more options** and **better publicity** of those options **for people wishing to invest and save** for their future.”

“I feel that the **States should tighten up** on small local companies that offer **pension schemes ...**”

“Personal pensions should have a **very high rate of relief** for **younger savers** that tapers down as they get older in say **10 year bands** to **encourage savings** in earlier years.”

### **Personal Finance Society – Standards, professionalism and trust**

The Personal Finance Society (PFS) is the professional body for the financial advisory profession in the UK. It has over 36,000 members, including professionals in Jersey.

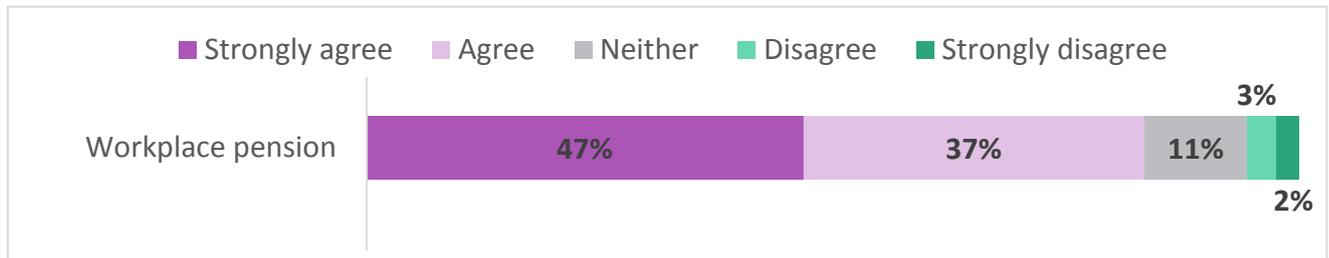
The Jersey Financial Services Commission partnered with the PFS to raise awareness about the mis-selling of investments and to provide investors with help to make more informed decisions.

Since the launch of the campaign, the JFSC has set up a dedicated mis-selling helpline. In the first week of the campaign more than 15,000 people engaged with the JFSC on Facebook by ‘liking’, commenting or sharing posts. Find out more about the campaign here: <https://vimeo.com/202015543>



## 5. Workplace pensions – experiences, comments and ideas

Which of these areas do you think the government should look at in the next few years to help people to save for retirement?



6.37 84% agreed at some level that the government should look at workplace pensions to help people to save for retirement. 5% disagreed at some level, 11% neither agreed nor disagreed. This was the most agreed with option of the five suggested in the consultation.

6.38 Workplace pensions were the most popular topic discussed in the comments, with over 100 people leaving their views and ideas about them.

6.39 The overall themes are (across all age groups):

- The government should encourage or enforce workplace pensions
- Workplace pensions should be from a young age, when people first start work
- The government should help businesses to provide workplace pensions

**“Workplace/employer pensions are a good way of prompting younger people to start providing for their old age...”**

**“Working for a company with over 100 employees and no company pension scheme. This should not be allowed. Follow the UK or enforce companies to have their own schemes.”**

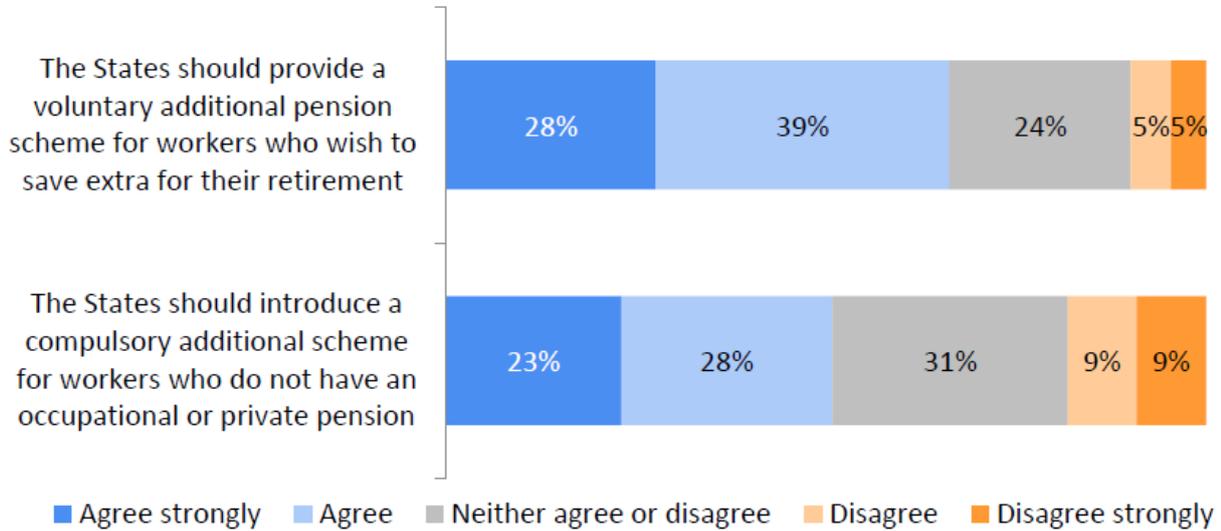
**“...work place/private pensions should be set up for anyone in work as the norm, with the opt out function being available...”**

**“Provide businesses with additional benefits to promote occupational pensions.”**

**“...Small to medium sized firms cannot realistically organise a pension scheme.”**

6.40 The JASS 2015 asked a question about the introduction of new pension schemes.

Figure 14.6 “How much do you agree or disagree with the following statements around new pension schemes?”



Source: 2015 JASS, p58 ([link](#))

6.41 The number and range of comments on workplace pensions supports the general agreement at an Island level for either a voluntary or compulsory scheme found in the 2015 JASS findings.

### Experience of saving for retirement

6.42 Some people left comments describing their experiences of saving for retirement. These experiences were very wide ranging both in terms of the approach taken and how successful they have been.

6.43 Many of the comments described bad or difficult experiences of saving for retirement. These were not just from people who had not started to save for retirement, but also from people who had started to save but have not saved as much as they’d have liked to for different reasons.

**“I have always worked hard and saved... I will never have a lot of money, and I am scared that for all the saving I have done, I will end up struggling in old age.”**

6.44 Some people shared their positive experiences of preparing for retirement. These mainly summarised or repeated their responses to the earlier multiple choice questions.

6.45 Individual experiences varied widely, but there are some clear themes that come through.

## Themes in preparing for retirement experiences by age group

	Under 25	25-34	35-44	45-54	55-64	65+
<b>No need to save:</b>						
Retirement is a long way off	✓	✓				
<b>Unable to save:</b>						
Low wages	✓	✓	✓	✓	✓	✓
High cost of living	✓	✓	✓	✓	✓	✓
Cost of children			✓	✓		
<b>Other savings priorities:</b>						
Paying off debts	✓	✓				
Saving a deposit		✓	✓			
University costs				✓	✓	
<b>Circumstances change:</b>						
Ill health, divorce, death				✓	✓	✓

**“Too busy studying to think about it and I will have massive debts to pay when I graduate and will obviously have to pay it all back” Under 25**

**“When young, pensions seem a long way off & there is a reluctance to save much-needed money on provision for the future” 25-34 year old**

**“I have not been able to save for my retirement ... because my wage does not cover mortgage, bills, food, general living and leave enough to put into a savings account or pension. I intend to start something next year though.” 35-44 year old**

**“I had to cash in my pension contributions to pay for my daughter’s university as there was no loan or grant available. I have had to start again in my 50s” 45-54 year old**

**“I have never been in a position to save for retirement. Every time I took out a private pension **something happened** and I had to cash it in to pay off bills or flights to the mainland due to sickness...” *55-64 year old***

**“...Fortunately I have a private pension but I will still need to **work** for another 10 years (I am 70 now) if I wish to continue a reasonable lifestyle. Currently I am thinking of **selling up** in Jersey and moving elsewhere that will give me a better standard of living for my money.” *65+ year old***

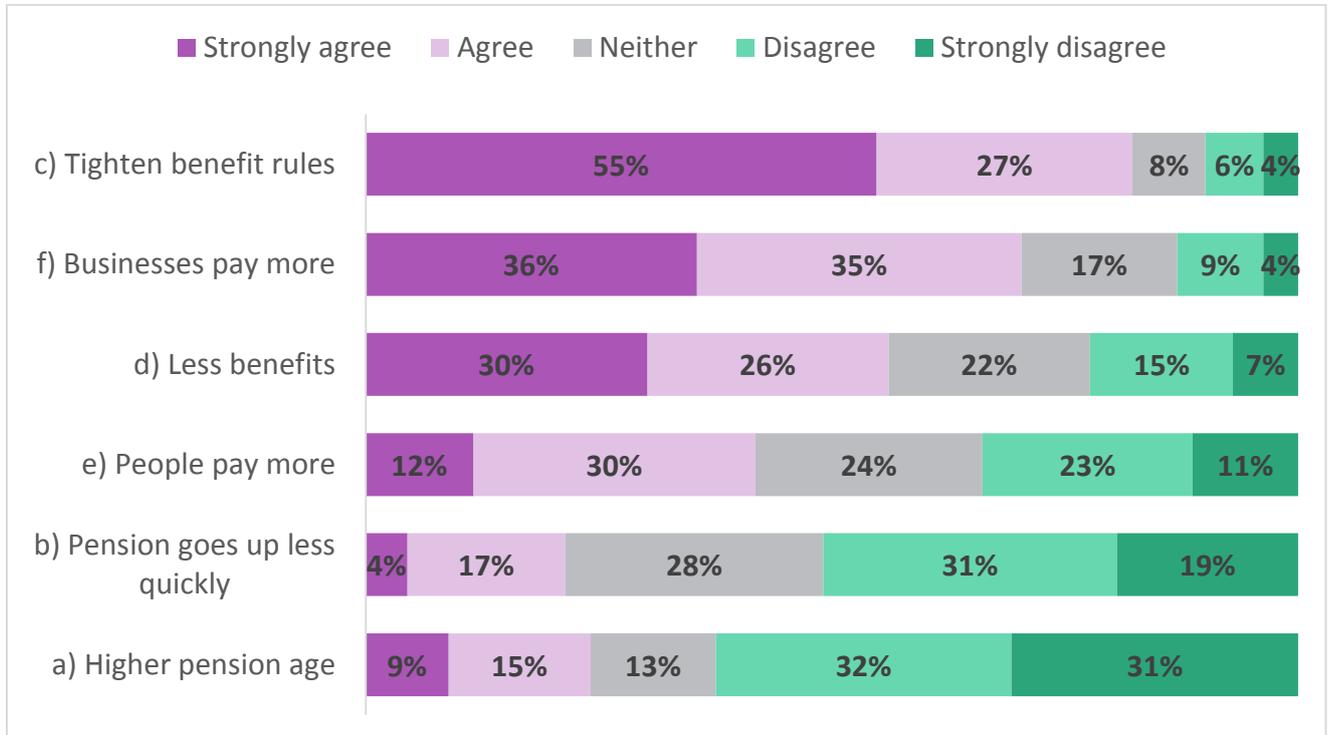
**“working for same firm for 48 years **helped** me had to train and do night duty after day work this took its toll on family life but **secure** income and pension helped to send my boys to uni both came to work in teaching and police good for island in my opinion.” *65+ year old***

**“I took the **long term view** from an early age because that was my upbringing so always **saved** and didn't spend all I earned.” *65+ year old***

## 7 Social Security Scheme

- 7.1 In Section 3 of the questionnaire, we asked six multiple choice questions about the Social Security Scheme and the options we could look at in the next few years to adapt the Scheme to longer lives. We also asked an open question for views on the six options or any other part of the Social Security Scheme.
- 7.2 The 2015 Jersey Annual Social Survey asked similar questions about how we could improve the sustainability of the Social Security Scheme (**see section 10**). The 2015 JASS results provide a representative view of the overall opinions of Islanders at that time.
- 7.3 These consultation results do not provide a representative view of all Islanders, but they complement the results of the JASS 2015, and helps us to understand why some people have particular opinions - what are their views, what are their concerns - and this will help us to develop policy in these areas.
- 7.4 This section describes the responses to the questions and explains the themes that emerged from responses to the open question. It also picks up on any other more general themes that do not fit in with any of the options.

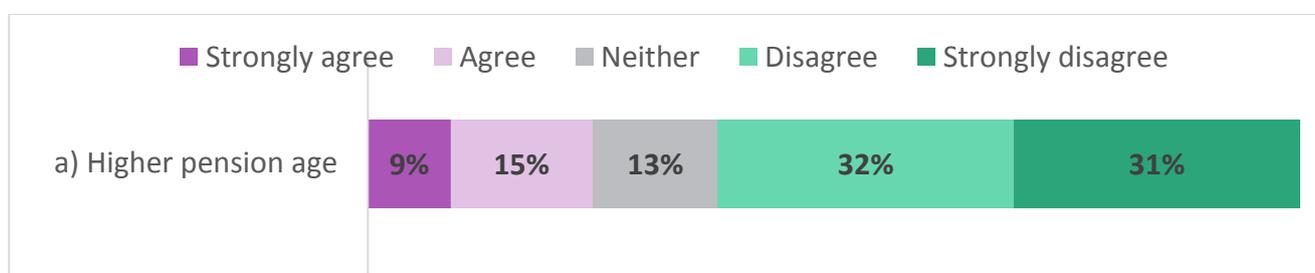
**Q9) Which of these options do you think the government should look at in the next few years to adapt the Social Security scheme to longer lives? (shown in order of popularity)**



7.5 Summary:

- **Tightening the benefit rules:** Most people agreed (82%) at some level that the government should look into this. (10% disagreed at some level, 8% neither). **This was the option that most people agreed with.**
- **Increasing how much businesses pay into the scheme:** The majority of responses agreed (71%) at some level that the government should look this. (13% disagreed at some level, 17% neither).
- **Reducing the range of Social Security benefits available:** Many agreed (56%) at some level that the government should look at this. (22% disagreed at some level, 22% neither).
- **Increasing how much people pay into the scheme:** More people agreed (42%) at some level that the government should look at this, than disagreed. (34% disagreed at some level, 24% neither). **This was the option with the most divided views.**
- **Social Security pension going up less quickly:** Many disagreed (50%) at some level that the government should look into this. (21% agreed at some level, 28% neither).
- **Increasing the pension age above 67:** Many disagreed (63%) at some level that the government should look into this. (24% agreed at some level, 13% neither). **This was the option that was most disagreed with.**

#### Q9 a) Increase the Social Security pension age above 67



- 7.6 In the 2015 Jersey Annual Social Survey, 60% thought that increasing the pension age would not be acceptable and 40% thought it would be, to help make the Social Security scheme financially sustainable in the future.
- 7.7 The responses to the consultation question are fairly consistent with this – the majority of responses disagreed (63%) at some level that the government should look into the option of increasing the pension age above 67. 24% agreed at some level.
- 7.8 Regardless of whether the responses agreed, disagreed, or neither – the comments tended to describe problems with increasing the pension age. Comments covered the following themes:
- Individuals should be able to choose to work after reaching pension age, subject to their health.

- The worry that many people will not be able to work past 67 in the future, especially those with physically demanding jobs.
- People in their 50s and 60s have less employment prospects and opportunities
- The perception that if people work longer, they will take jobs away from the young.

## Mythbuster - working longer

Some people commented that if people work longer in the future, there will be less jobs available for young people.

The number of people reaching pension age is much higher than the number of school leavers each year. We will need more workers to take the place of those retiring.

If people work longer, they will earn and spend more money which will support and create new jobs.

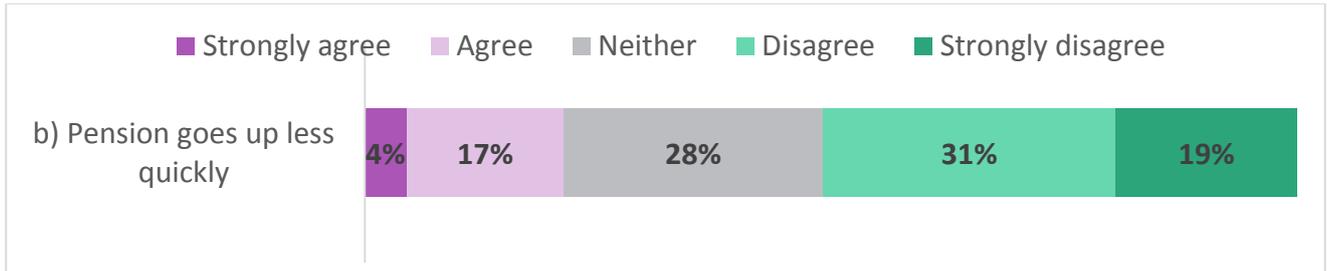
“... we should be given a **choice** and working later should be dependent on an individuals **health and ability** to continue working full time.”

“I was self employed in all aspects of the building industry all my life except for serving in the Royal Navy for nine years. Looking back many years ago and seeing what had happened to the majority of the old tradesmens **health** (body wise) I could see that they **would not be able to continue working** after they became 65 or even 60. In other words they were worn out. This is what prompted me to take out and save for my pension...”

“If the reason that we need additional funds is to support an ageing population, this means that people are living longer and healthier lives - so surely it makes sense to recognise these facts and **increase the pension age**? Research shows that people who remain **engaged in life**, with an active part to play in society, live longer, experience less loneliness and are happier - and having a valued job to play and a role to identify with, contributes a lot towards this.”

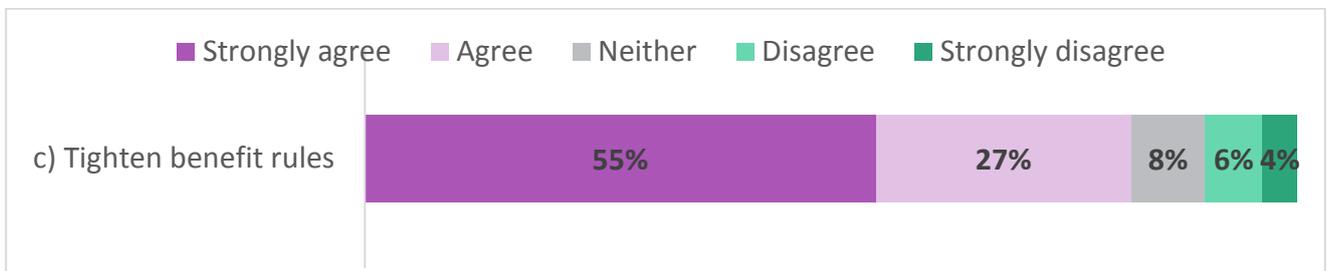
“Look at increasing, or making more **flexible**, the retirement and pensionable age, allowing people to work longer if they **choose**” *Jersey Consumer Council written response.*

### Q9 b) Set the value of the Social Security pension to go up less quickly each year



- 7.9 In the 2015 Jersey Annual Social Survey, we asked “(to help make the Social Security scheme sustainable) How acceptable would reducing the value of pensions be?” 90% thought that reducing the value of pensions would not be acceptable and 10% thought it would be. This was the least acceptable option of all the options presented in the 2015 JASS.
- 7.10 In the consultation, we asked the question in a different way and 50% of those who responded disagreed at some level, 21% agreed at some level, and 28% neither agreed nor disagreed.
- 7.11 There were very few views about why we should or shouldn’t look at the pension uprating policy over the next few years. However, there were quite a few comments and ideas about the Social Security pension more generally. These are discussed in the **Social Security pension** section.

### Q9 c) Tighten the rules for who can claim Social Security benefits



- 7.12 Most people agreed (82%) at some level that the government should look into the option of tightening the benefit rules. (10% disagreed at some level, 8% neither). **This was the option that most people agreed the government should look into.**
- 7.13 In the 2015 Jersey Annual Social Survey, we asked “(to help make the Social Security scheme sustainable) How acceptable would reducing the value of benefits paid to working age people be?”. Views were fairly divided: 58% thought that reducing the value of benefits paid to working age people would be acceptable and 42% thought it would not be. However, this was the second-most acceptable option of all the options presented in the 2015 JASS.
- 7.14 A significant number of comments covered views on the benefits that the Social Security department provides, and generally reiterated that the government should look at tightening the rules.

7.15 The department provides the Income Support benefit (means-tested, 5 years residence, paid for by tax revenues) and the Social Security scheme benefits (based on making Social Security contributions, paid for by contributions). The majority of the comments in this section referred to benefits in the round, or Income Support specifically, rather than the Scheme’s contributory benefits. These comments are summarised at the end of this section in “General comments”.

7.16 There were some comments about the Social Security scheme’s benefits, for example:

- Short term incapacity allowance is too long, can be abused and doesn’t encourage people to return to work. Some suggested this should be paid for by businesses instead.
- Long term incapacity allowance should be better targeted and means-tested.

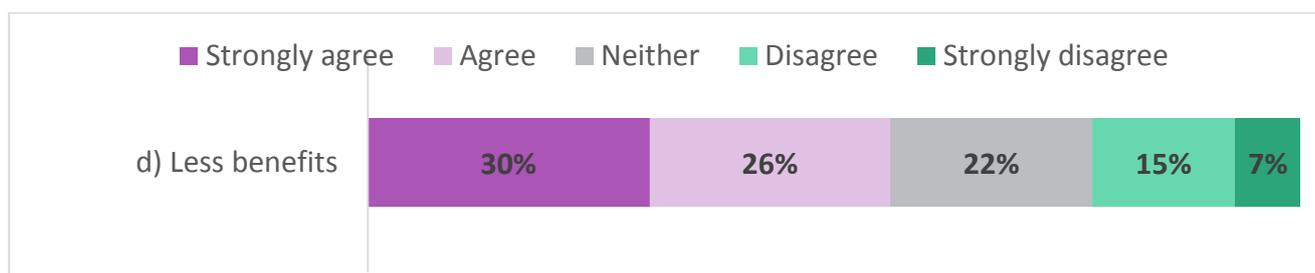
**“I don't feel people's pensions should suffer due to other people claiming benefits. Everyone should contribute and have their own pots...”**

**“The difficulty is getting a balance for those who really need the benefit/pension, and possibly reducing it for those who don't...”**

**“It is everyone's responsibility, including business to help the elderly who have worked all their life and those that cannot work live a comfortable healthy life into old age.”**

7.17 All the comments and ideas on the Social Security Scheme’s benefits have been gathered for when we look more closely at them later this year.

**Q9 d) Reduce the range of Social Security benefits available**

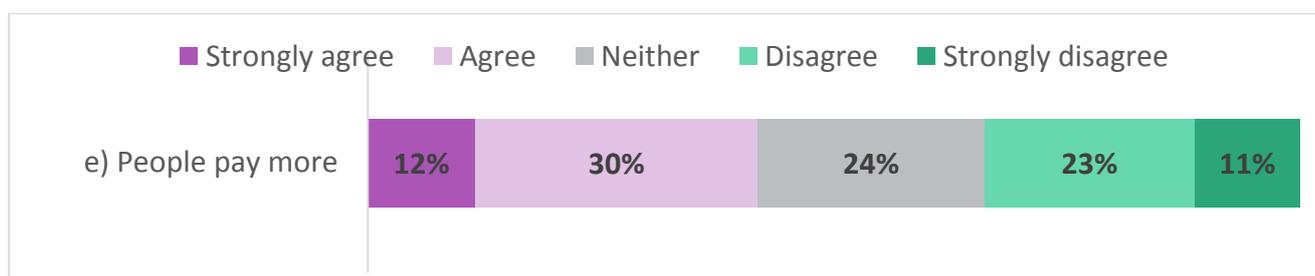


7.18 Many agreed (56%) at some level that the government should look into the option of reducing the range of Social Security benefits available. (22% disagreed at some level, 22% neither). We did not ask this question in the 2015 JASS.

7.19 Many of the same themes to question 9 c) apply here as well. People who disagreed that government should look at the option of reducing the range of benefits available, mainly commented on why they support the government looking at other options.

7.20 Some people who did not express an opinion commented that they do not know enough about the benefits or the people who claim them to give an opinion.

#### Q9 e) Increase how much people pay into the Social Security scheme



7.21 **This was the option with the most divided views.** 42% agreed at some level that the government should look into the option of increasing how much people pay into the scheme. 34% disagreed at some level, 24% neither.

7.22 **The people that agreed with this option, or were indifferent, regularly commented that Social Security contributions for higher earners should not be capped because it is unfair.**

7.23 Those that disagreed with this option tended to comment on the other options, rather than saying why the government should not look at this option. For example, “Making businesses pay more” stood out as a minor theme. Some of those that did comment also said that the government should remove the Social Security “cap”.

**“I would remove the ceiling from contributions so that the high earners pay a full contribution on all their earnings and so everyone working pays an equal share of their income as contributions.”**

**“Lift the cap. Reduce the rate for low earners. It's about time higher earners started contributing more to society. They already benefit from the most generous tax rates in the world. They don't need caps. They won't starve.”**

**“The cap in terms of individual contributions should be removed. It would not leave to an exodus of people and would, quite simply, generate the funds required.”**

**“The percentage of social security contributions taken out of the wages of a small income earner, has a far greater effect on their life, as they have less money to spend on the normal cost of just living in Jersey.”**

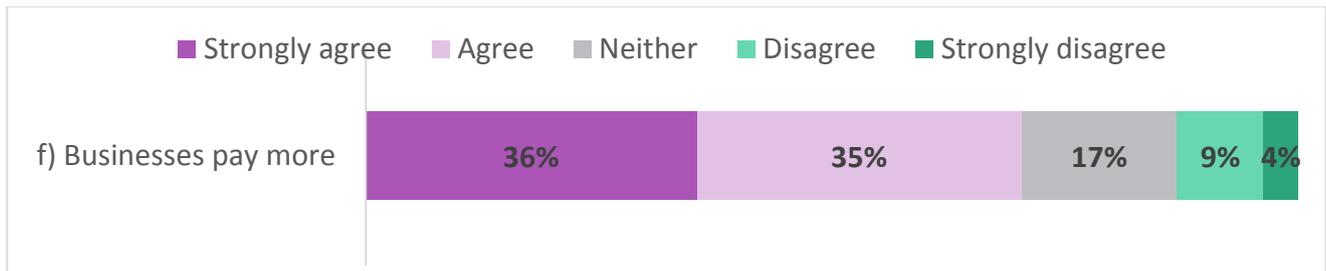
**“You can't keep **taxing** a diminishing working population to pay for a growing non-working population.”**

**“Increasing contributions is compounding the **poverty** issue...”**

**“Charging more for those who are on a **tight budget** will have no benefit in the current economy or future personal savings.”**

**“...Social Security contribution rates impact both the finance industry’s ability to **attract talent** and its ability to be **cost competitive** internationally.” *Jersey Finance Fiscal Strategy group written response***

## Q9 f) Increase how much businesses pay into the Social Security scheme



7.24 The majority of responses agreed (71%) at some level that the government should look into the option of increasing how much businesses pay into the scheme. (13% disagreed at some level, 17% neither). We did not ask this question in the 2015 JASS.

7.25 Regardless of whether people agreed or disagreed with this particular option, the main themes are:

- Increase the tax or contributions that big businesses pay
- Do not increase the tax or contributions that small businesses pay because this will reduce employment and close businesses down.

“... many **small businesses** struggle to pay Social Security so they employ less people. Make the very big businesses i.e. Banks pay more.”

“Given that many firms pay low or no tax, it makes sense that they be asked to **pay extra** into either the states or private pension schemes”

“Tax the many **UK companies** who are not paying tax here in the island. Simple....”

“high net worth firms - i.e. finance - should **contribute more** to the island’s economy. It is since they have contributed less that the island’s finances are in trouble.”

“Small local businesses cannot possibly pay more, it is **crippling** them, how about the UK companies paying more?”

“If businesses have to pay more it will **deter people** from starting a new business.”

“there is a danger by increasing employer contributions this will be deemed as a payroll tax and **negatively impact** the employment figures...”

## General comments

- 7.26 In the consultation comments there were some more general themes that came through.
- 7.27 A significant number of people made comments on their perception of the Income Support system. Comments were wide ranging but they generally centred on not giving benefits to people that:

- haven't contributed to the "system", lived in Jersey for very long, or live overseas
- don't need them, or don't want to work
- are playing or cheating the system.

- 7.28 There were also some comments about making sure people have strong incentives to work, not paying more benefits to families with more than 2 or 3 children, and that the parish welfare system was better than Income Support. Some also commented that the current benefits system is unfair

**"I fully agree with the need for assisting people with benefits, but I feel we should place more emphasis on the control and enforcement of benefits awarded to people. It is hugely unfair to ask me to work longer or contribute more if it is possible to reduce or control the amount of money given to people making no contribution to the system."**

**"It seems to be the policy here that you must exhaust all your funds before help is given with no thought at all as to the physical and emotional toll this will take on even a healthy person..."**

**"The disadvantaged and disabled need to be looked after..."**

- 7.29 Another regularly mentioned theme is that the government should control its spending and reduce its waste instead of, or before, changing the Social Security scheme.

**"If the SOJ stopped wasting money there would be more money for pensions."**

- 7.30 There were also some comments that government should help elderly people to remain independent – for example, by reducing loneliness and making sure there is adequate transport available.

## 8 Workshop summaries

### Overview of workshops

- 8.1 Between November 2016 and January 2017, Social Security staff ran a series of workshops for people to give their views on income in retirement and the Social Security scheme. **We are very grateful to everyone who met with us.**
- 8.2 In November 2017, the consultation started with a 2 hour workshop involving local organisations and charities. The Social Security Minister and Assistant Minister joined the workshop to listen to the conversations during the evening. 21 people attended from the following organisations:

Organisations	Organisations
Community Savings Ltd	Vantage Pension Trustees Limited
Citizens Advice Jersey	BWCI
Jersey Consumer Council	Jersey Farmers' Union
Institute of Directors Jersey	National Union of Teachers (NUT)
Jersey Business Ltd	Royal College of Nursing (RCN)
Jersey Chamber of Commerce	Jersey Advisory Conciliation Service (JACS)
Jersey Hospitality Association	Association of Jersey Charities
Jersey Pension Association	Standing Conference of Women's Organisations
First Actuary Limited	Caritas

- 8.3 The workshop was divided into two parts – the first half focusing on living longer and financially preparing for retirement, and the second half focusing on adapting the Social Security scheme to longer lives.
- 8.4 About 50 people attended the remaining shorter 1 hour workshops which covered either living longer and financially preparing for retirement or adapting the Social Security scheme to longer lives. There were a mix of people who attended in terms of age, gender, employment status. There were some pensions experts, financial advisors and people currently receiving a Social Security benefit.
- 8.5 We also ran two workshops at Highlands College and one at Hautlieu for students to take part and complete questionnaires.
- 8.6 At each workshop, attendees received a short presentation explaining the issues facing Jersey people and the topics and questions for discussion. The approach closely followed the information and questions in the consultation questionnaire.
- 8.7 The discussions were facilitated by Social Security staff who noted down the key points along the way. Quite often during the discussions, people had different views about the challenges and ideas about what government should do. The points noted down are from individuals and were not necessarily agreed with by everyone at the table.

8.8 This section summarises the main views and ideas shared with us in the workshops. All the views and ideas are being used in the next part of the Review.

**Discussion 1: What are the reasons for people worrying about their standard of living in retirement and what stops people saving for retirement?**

8.9 Workshop participants highlighted several reasons for “why people worry about their standard of living for retirement” including:

- Security of savings, workplace and private pensions and not knowing how much they will be worth in retirement
- There have been periods in life when unable to save or contribute to Social Security
- Uncertainty about medical and care costs
- Uncertainty about the pension age in future and whether the old age pension will be means-tested

8.10 These themes came out very clearly from all of the workshops about “what stops people saving for retirement”:

- People can’t afford to save for retirement (high cost of living, bringing up a family, low wages and job instability)
- People don’t understand the need and importance of saving for retirement.

8.11 At a number of the workshops, people also mentioned that there is a culture of reliance on the government, people start saving too late and there aren’t enough incentives to encourage people to save.

**Discussion 2: Do you think the government should do more in any of these areas to help people prepare for retirement?**

8.12 **Personal savings and wealth:** Recurring themes across the workshops included that government should:

- Increase incomes and reduce poverty, for example by increasing the minimum wage
- Change the “living for the day” culture, for example by offering savings incentives and helping people to buy their own homes (and downsize later in life)
- Help small and new businesses to grow, perhaps through tax incentives.

8.13 **Working longer:** Recurring themes and comments included:

- People want a quality of life in retirement. We need to find a working life/retirement balance. Living longer should not mean working longer. We should have a choice.
- Working longer can be good for your mind and health, not just money.
- We need more flexibility around working near pension age. Change culture in businesses who don't employ older people. Older people could stay on to train younger people.
- Concern that it could reduce the number of jobs for young people.

8.14 **Workplace pensions:** People regularly mentioned that government should encourage workplace pensions, or even make them mandatory – and to think about the impact on small businesses, and how the self-employed would be able to access a scheme. Ideas include: an employer scheme that's government matched and auto enrolment with opt out.

8.15 **Private pensions:** This was discussed less than some of the other areas at workshops, but comments were mostly around the need for better education about private pensions, and referring to bad experiences of their own or of other people.

8.16 **Social Security pension:** People tended to comment that this should be a “corner stone” for income in old age, to cover the basics. Ideas included that people should be taught about what Social Security is and how it works, and that the pension could have a universal part and a means-tested part like in some other countries.

**Discussion 3: How do you think the department should change the Social Security scheme to keep it sustainable? What are the advantages and disadvantages?**

8.17 **Increase pension age:** This option was discussed in many of the workshops and comments included:

- Government should change the expectation of a fixed retirement date and should offer a more flexible pension age
- It will be hard or impossible for people with physical jobs to work after pension age. What other jobs will there be for them in their 50s and 60s?
- Government will have to support people more. It could also impact on families (grandparents no longer looking after grandchildren).
- It will reduce jobs for the young

8.18 **Social Security pension goes up less quickly:** Comments included that it would “create a poverty gap”, and that government could consider increasing the pension by the “cost of living” instead, whilst encouraging people to join workplace or private pensions instead. (Currently the Social

Security pension goes up at the same rate as average earnings growth, which tends to be higher than measures of cost of living increases, like RPI.)

- 8.19 **Tighten the rules and/or reduce the range of benefits available:** Comments included that the benefits should not be paid out of the island, they could be aligned with Income Support, maternity benefits are important and that part of the maternity allowance should be paid by the employer, that there should be more leeway to work when signed off, and that the death grant should be stopped.
- 8.20 Whether or not the Social Security pension should be means-tested came up at a few of the workshops. Generally, there were different views about this idea and there tended to be disagreements with viewpoints ranging from the richer older generation not needing it to it being unfair when people have paid in to the system their whole lives.
- 8.21 **Increase individual contributions:** Discussions tended to cover the possible negative effects on the economy and incentive for people to earn more money. The suggestion that the “cap” should be removed from contributions was mentioned by people at most workshops. Sometimes there were disagreements about whether higher earners should be expected to pay more contributions.
- 8.22 **Increase business contributions:** Discussions often covered similar points affecting the economy and incentives to earn more. Some people mentioned that people and businesses should pay the same contribution rate, and that bigger businesses should pay more contributions than smaller businesses.
- 8.23 **Other comments about Social Security:** There were many wider comments and ideas for Social Security including:
- The government should educate the public on the need to save for retirement, send people information about their pensions, and give people online access to their contribution records and pension forecasts.
  - The government might need to do a bit on each of the options
  - Government could reduce and simplify the Social Security scheme
  - People could stop paying Social Security contributions and opt into a workplace pension scheme.
  - Add flexibility to the contribution classes and an option to top up contributions.
- 8.24 **Other wider comments about government:** There were some other points including:
- Government should be more careful with money
  - Government should help self-employed people to thrive, reduce red tape, foster innovation and “make foreign companies pay tax”.

## 9 Updated financial projections for the Social Security Fund

9.1 In January 2017, The UK Government Actuary's Department's (GAD) review of the Social Security Funds as at 31 December 2015<sup>3</sup> was published. Actuarial reviews are required by law at least every three years, and the previous review was carried out as at 31 December 2012.

9.2 GAD's review examines the financial condition of the funds and provides long term financial projections based on detailed contribution and benefit records, up-to-date Social Security legislation and population projections from the Statistics Unit. They:

- project possible future levels of expenditure from the Fund and the contribution rates required to finance this expenditure (breakeven contribution rates)
- project the balance in the Fund and the Social Security (Reserve) Fund ("the Combined Funds"), assuming no change in contribution rates
- identify risks to the sustainability of the Fund

### Current financial condition

9.3 At the end of 2015, the Fund reached a surplus of almost £1.4bn - six years expenditure – a better position than at the end of 2012. The position has improved more than expected because investment returns have been better than expected and there have been small changes to expected contributor numbers and claims for old age pensions.

£ million	2013	2014	2015
<b>Combined Fund at start</b>	<b>1,007</b>	<b>1,214</b>	<b>1,323</b>
Contribution income	219	226	235
Investment income	196	96	35
Benefit expenditure	(202)	(205)	(212)
Expenses	(7)	(7)	(5)
<b>Combined Fund at end</b>	<b>1,214</b>	<b>1,323</b>	<b>1,377</b>
Breakeven contribution rate (%)	10.0	9.9	9.7
Fund as multiple of expenditure	5.3	6.0	6.2

---

<sup>3</sup> Report by the Government Actuary on the financial condition of the Social Security Fund as at 31 December 2015: [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/481181/2015-12-31-SSF-Report.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/481181/2015-12-31-SSF-Report.pdf)

## Financial projections

9.4 The financial projections are based on:

- current Social Security contributions and benefits rules
- the planned increase in the State pension age to 67 between 2021 and 2030
- the States grant returning to its previous (higher) level from 2020 onwards

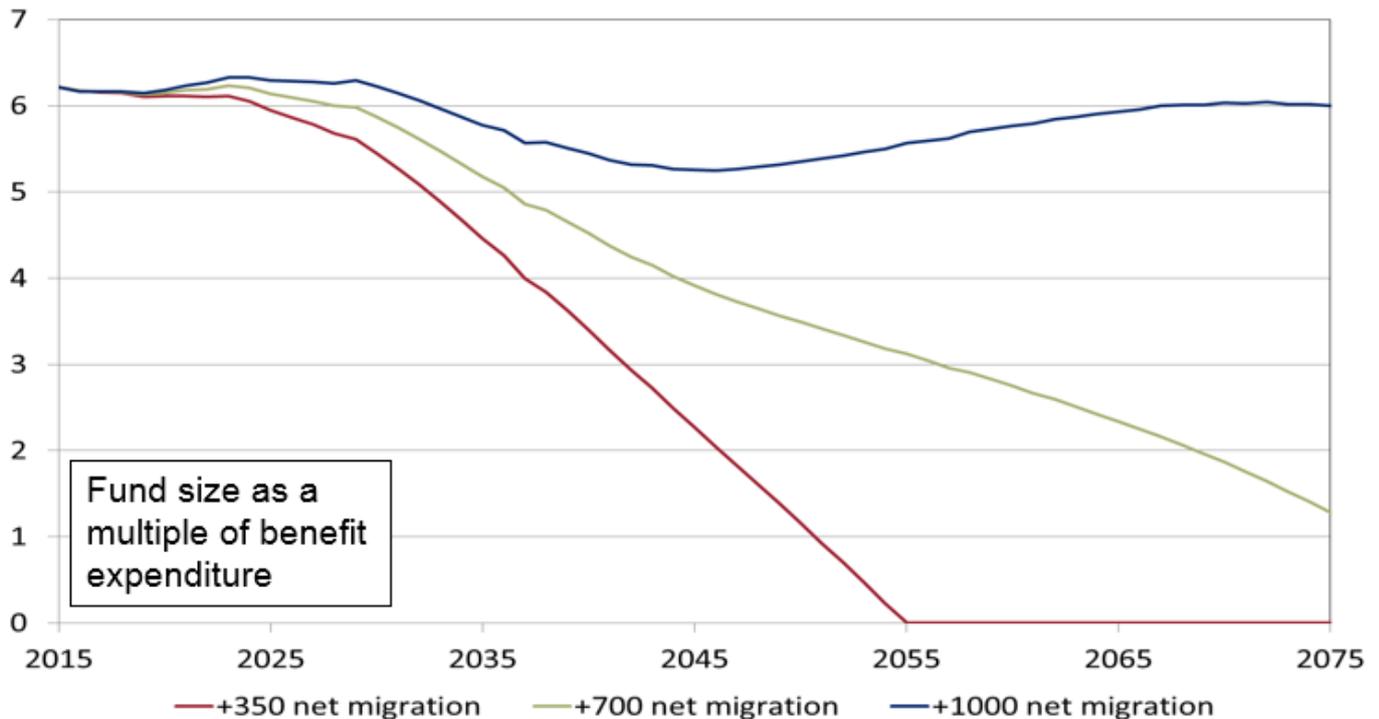
9.5 The financial projections vary according to the assumptions for net inward migration and expected investment returns.

9.6 **The Fund balance is expected to remain fairly stable over the next ten years** as contribution income (including the States grant) and benefit expenditure is expected to remain fairly balanced. This is regardless of the net migration scenario.

9.7 For the net +350 people a year net migration scenario, the Fund balance is expected to be gradually used up by 2055. For the net+700 and net +1,000 people a year migration scenarios, the Fund balance is not expected to be used up in the 60 year projection period.

**The future outlook is very dependent on future population policy and population outcomes.**

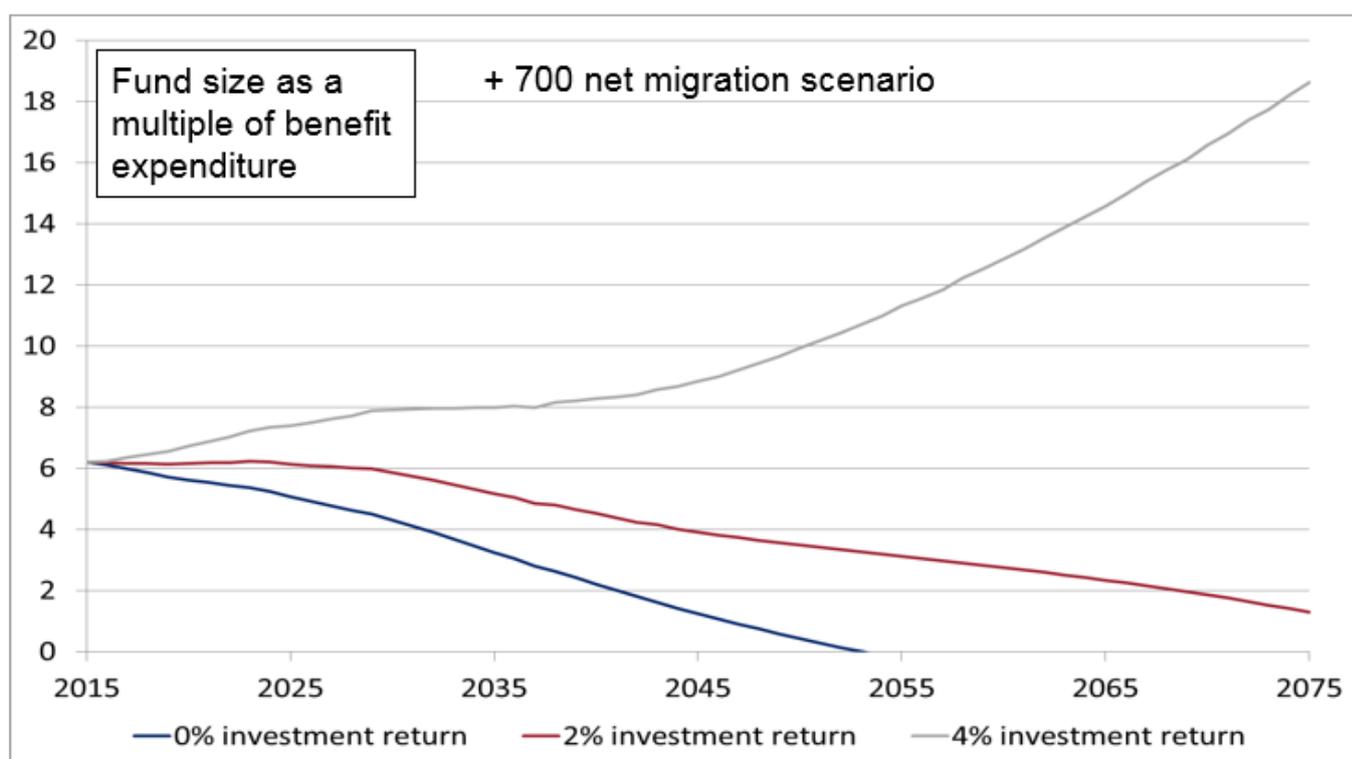
## The Fund is expected to remain fairly stable as a multiple of benefit expenditure over the next ten years



9.8 The projected Fund balance is also sensitive to expected investment returns. For example, considering future investment returns of 0%, 2%, or 4% a year above Jersey earnings growth (and assuming that the net migration is +700 per year) the Fund balance is expected to be used up in the 2050s in the 0% a year investment return scenario, but not used up in the 60 year projection period for the 2% and 4% a year investment return scenarios.

9.9 Note that in the 4% scenario, the balance of the Fund would continue to grow because the investment returns would more than meet the expected increases in benefits and pensions spending from the Fund.

## The level of investment return (net of earnings) will significantly affect the Fund size



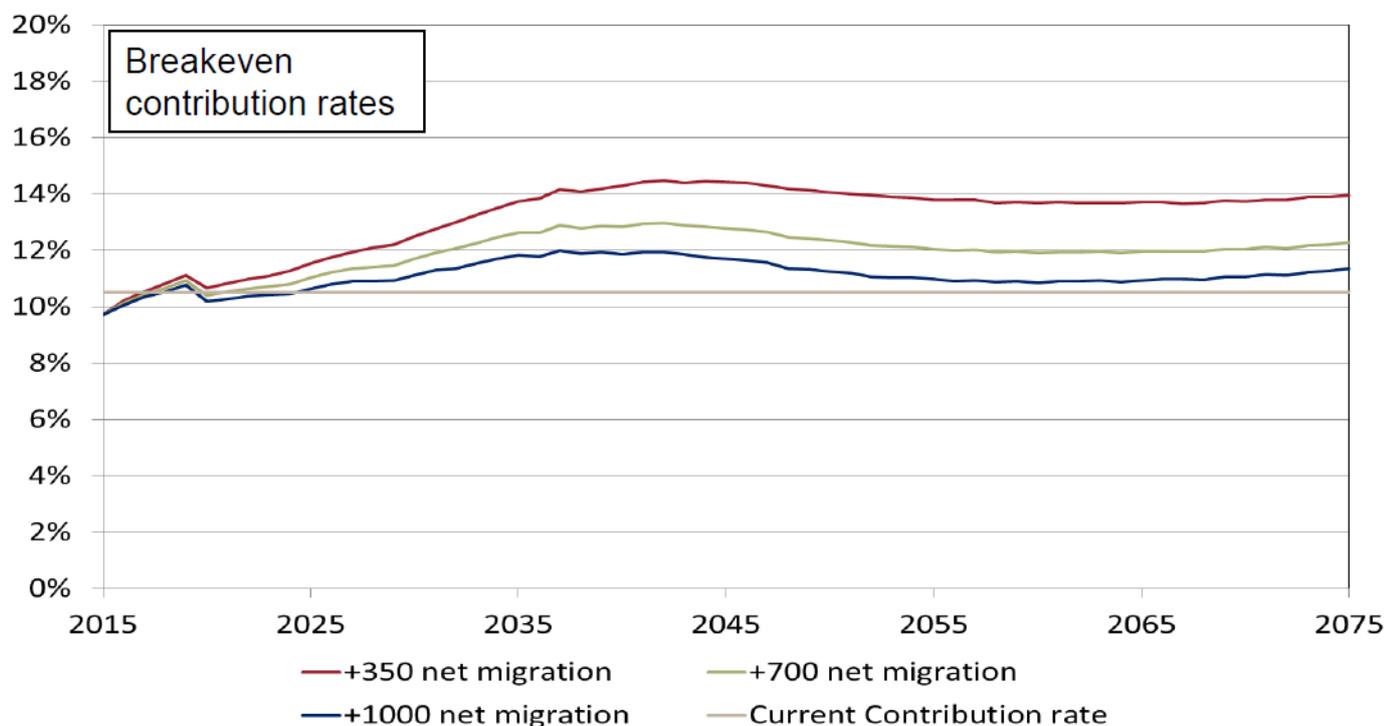
### Beyond ten years from now

9.10 The levels of net migration affect the future course of the Fund balance beyond 10 years from now. When the Fund balance runs out, the contribution rate would have to be set at a level so that contributions (including the States grant from general tax revenues) pays for contributory benefits and Social Security pensions. This is the break-even contribution rate shown in the next chart.

9.11 The next chart shows that the contribution rate would have to increase by about 3.5% (roughly £1,050 per contributor each year, on average) in the net +350 migration scenario or by about 1.5% (roughly £450 per contributor each year, on average) in the net +700 migration scenario once the Fund balance is used up. (The Fund balance is expected to be used up by 2055 in the net +350 scenario and it is not expected to be used up in the net +700 scenario.)

9.12 In practice, some other changes to the Social Security scheme to the same financial effect could be considered.

## The current contribution rate is projected to broadly meet benefit expenditure in the next ten years, after which Fund assets will be required to supplement contributions



### Conclusions

- 9.13 Based on the assumptions used, the financial outlook for the Fund remains healthy in the short to medium term (10 to 15 years). However, the assumed level of future migration, value of States grant and rate of investment return have a significant impact on the projected development of the Fund.
- 9.14 Except on highest assumed net migration, the Fund balance is projected to start to be run down over the next 60 years. Once the Fund has been run down, the contribution rate would need to be raised to the breakeven rate (up to 3.5% higher depending on net migration and investment returns).
- 9.15 Changes to benefits, such as further increases in pension age, could help delay the point at which contributions need to be increased as well as limiting the size of any required increase.
- 9.16 It is not essential to take immediate action but the situation should be reviewed at the time of the 2018 review.

# 10 Jersey Annual Social Survey 2015 - Pensions and retirement

## Pensions

Figure 14.7 “How acceptable would each of the following be to you?”

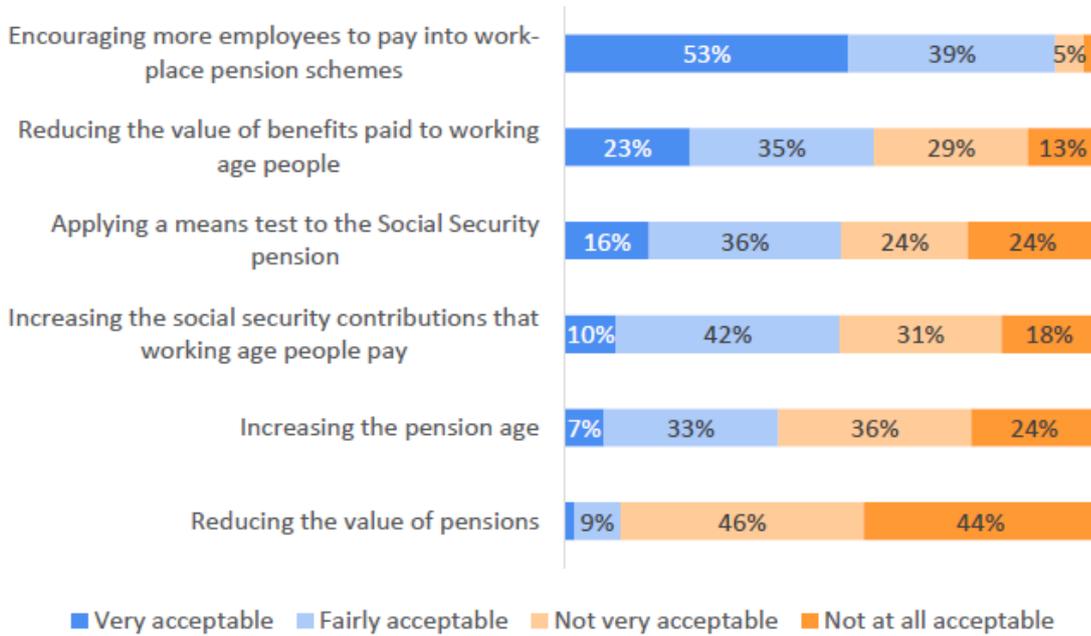
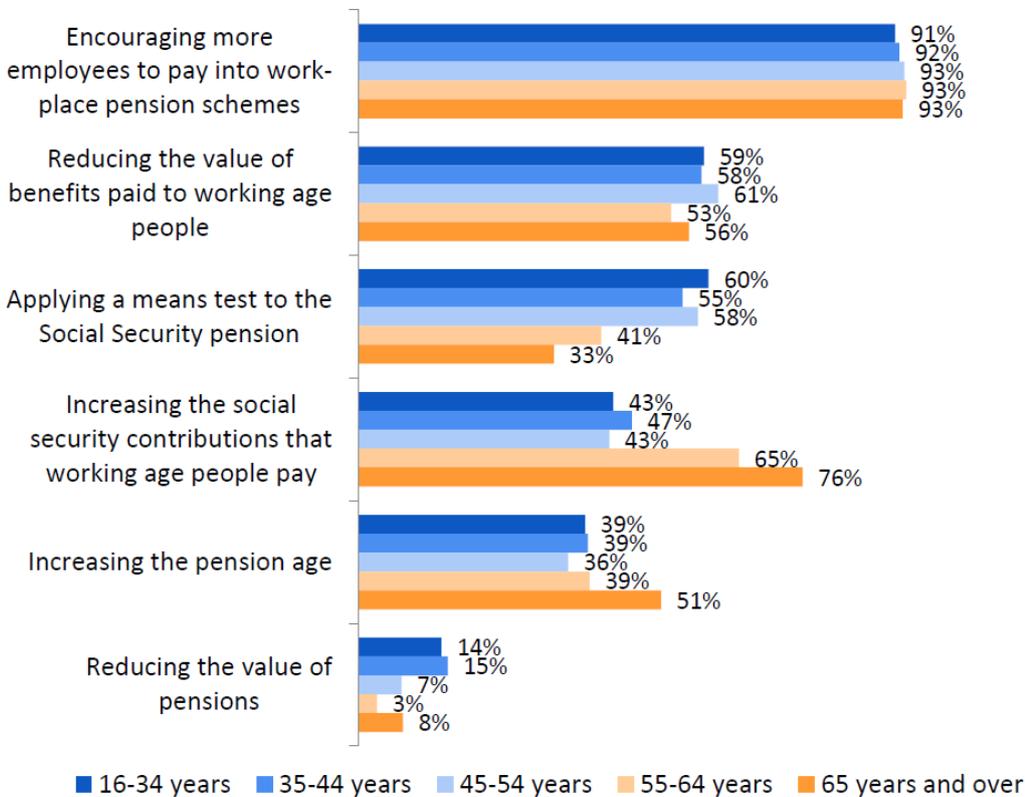


Figure 14.8 “How acceptable would each of the following be to you?” Proportion identifying each as ‘Very’ or ‘Fairly’ acceptable, by age



Source: Jersey Annual Social Survey 2015, p59

## 11 Response rates – comparison with Jersey population structure

- 11.1 1,318 people completed the questionnaire. The majority of the responses were completed online. Approximately 100 responses were received in the paper questionnaires, by post and following the workshops with students at Highlands.
- 11.2 The age profile of the people who responded to the consultation questionnaire are shown in the table below.
- 11.3 The 16-34 age group are slightly under-represented, considering the age profile of Jersey's population because 25% of the consultation responses were from this age group, whilst 30% of the overall population are in this age group.
- 11.4 Similarly, the 65+ age group were underrepresented: 9% of responses to the consultation compared to 17% of the overall population.
- 11.5 The 55-64 age group were overrepresented: 25% of responses compared to 15% of the overall population. This is perhaps unsurprising given that planning and saving for retirement is likely to be most interesting and relevant to this age group, of all age groups.
- 11.6 The % of responses from 35-44 and 45-54 year olds is similar to the % they make up in the overall population.

### Age profile of responses compared to the overall population

Age range	Questionnaire		2011 Census		Difference Percent
	Responses	Percent	Population	Percent	
16-34	336	25%	23,825	30%	-5%
35-44	239	18%	15,410	19%	-1%
45-54	286	22%	15,428	19%	3%
55-64	333	25%	11,581	15%	10%
65+	124	9%	13,562	17%	-8%
<b>Total</b>	<b>1,318</b>	<b>100%</b>	<b>79,806</b>	<b>100%</b>	

- 11.7 This shows that the responses to the questionnaire are not representative of Jersey's population.

## 12 Previously agreed pension age changes in Jersey

<b>Date of birth</b>	<b>State Pension Age</b>	<b>Year first paid</b>
1 Jan 1955 to 31 Oct 1955	65 years and 2 months	2020
1 Nov 1955 to 31 Aug 1956	65 years and 4 months	2021
1 Sep 1956 to 30 June 1957	65 years and 6 months	2022
1 July 1957 to 30 April 1958	65 years and 8 months	2023
1 May 1958 to 28 Feb 1959	65 years and 10 months	2024
1 Mar 1959 to 31 Dec 1959	66 years	2025
1 Jan 1960 to 31 Oct 1960	66 years and 2 months	2026
1 Nov 1960 to 31 Aug 1961	66 years and 4 months	2027
1 Sep 1961 to 30 June 1962	66 years and 6 months	2028
1 July 1962 to 30 April 1963	66 years and 8 months	2029
1 May 1963 to 29 Feb 1964	66 years and 10 months	2030
1 March 1964 onwards	67 years	2031 onwards

Source: States proposition P73/2014 ([Link](#))