

# Changes to Jersey's Social Security pension age and approved Jersey pension schemes

UPDATE

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In January 2020, changes were made to Jersey's Social Security pension age. This means that, from January 2020, the current pension age of 65 will increase by two months every 10 months until it reaches the age of 67 in 2031.

This update considers actions available to the trustees of approved Jersey pension schemes in light of these changes. Mourant Ozannes is able to assist trustees of approved Jersey schemes in considering how best to accommodate the needs and wishes of their scheme's membership as a result of the increasing Social Security pension age.

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## Who is affected by the changes?

Any person entitled to a Jersey Social Security pension born on or after 1 January 1955 will be affected by this change. By the change, everyone born after 1 March 1964 will reach pension age when they turn 67.

Note that women who registered with Social Security before 1 January 1975 are still entitled to claim a pension at 60 years old.

## How might the change influence the retirement choices of members?

Whilst the decision will come down to each individual's circumstances, it is possible that more members may wish to remain in service after their scheme's retirement date to align the commencement of their pension with their Social Security pension.

## Will the trustees of approved Jersey pension schemes have to take any action?

This depends on how the age for the commencement of benefits is configured under their relevant scheme's rules.

If a scheme's rules explicitly tie the commencement of benefits to the Social Security pension age in place from time to time, the trustees will need to confirm each member's pension age and ensure that their systems are updated so that benefits commence at the correct age.

To the extent such date is later than age 65, it may be helpful to notify affected members of the date on which their benefits are to commence in accordance with changes to Jersey's Social Security pension age.

## Should trustees consider amendments to their scheme's rules to accommodate the change in Social Security pension age?

It is unlikely that amendments to pension schemes will be necessary as a direct result of changes to the Social Security pension age, but trustees may wish to use this opportunity to consider the terms on which benefits are paid.

For example, the trustees of pension schemes where the commencement of benefits is tied to the Social Security pension age may wish to consider whether it may prove to be an administrative burden where the payment date for pensions varies from member to member.

To this end, the trustees may consider whether it would be more practicable to amend the relevant provision to set the same benefit commencement age for all members (so long as it would be in the interests of members to do so).

### **What powers may be available under a scheme's rules to accommodate the change in Social Security pension age?**

Many pension schemes will offer members the option of "late retirement" (whereby pension commencement is deferred past the member's scheme retirement date). If additional contributions are not payable between the scheme retirement date and the commencement of the member's pension, an uplift to take account of the late payment is often applied where the scheme in question is a defined benefits arrangement.

To the extent that their scheme provides for a late retirement option with employer contributions continuing to be payable past the scheme retirement date, trustees may wish to bring to the attention of employers that members may wish to remain as a scheme members to align the commencement of their scheme pension with their Social Security pension and, as such, this may have cost consequences for the employer.

Additionally, it may be that the rules of a scheme permit members to agree a scheme retirement date with their employer, the trustees or both (subject to the Jersey tax rules on approval). If this is the case, members may seek to agree a change to their scheme's pension age to align with their Social Security pension age.

Such a move would permit the member to continue to accrue benefits whilst remaining in service (meaning that the late retirement options would not apply, unless the member chose to work past their uplifted scheme retirement date). This might, however, also result in contributions becoming payable for a longer period of time.

Additionally, there would be time and cost consequences for the Employer and the Trustees in considering each application received by members.

### **Are there other ways that trustees could accommodate the change in Social Security pension age?**

Whilst popular in the UK and available in Guernsey, "bridging pensions" are a rare feature of Jersey pension schemes.

Bridging pensions provide for an increase in the pension payments made to a member for the time between that member's scheme retirement date and their Social Security pension age, with a proportional reduction in such payments once the member's Social Security pension commences payment.

The member's pension benefits overall are therefore "levelled out", so that the member does not see a change in the amount of pension received between their scheme's retirement date and their later Social Security pension age. The downside is that it does impose an initial cost burden on a pension scheme in respect of the increased pension payments (although this would be recovered by the reduction in pension imposed after the member's Social Security pension commences).

It is likely that this approach would require amendments to a pension scheme's rules in order to accommodate bridging pension provisions. Trustees of defined benefit arrangements would also need to consult their scheme's actuary to understand better how their scheme's funding may be impacted by any such arrangement in the short term.

Additionally, whilst the Practice Notes in Guernsey explicitly permit members retiring before States Pension Age may choose to have their pension adjusted so that it is greater before States Pension Age and reduced thereafter, the Tax Guidance Notes for Pension Scheme Administrators published by the Jersey Comptroller of Revenue do not include such language. Short of the Comptroller providing clarification in the meantime, cautious trustees may therefore wish to seek a ruling from the Comptroller first prior to the implementation of any such amendments.

## How can an individual check their pension age?

There is a [Social Security pension age calculator](#) available on the Government website.

## What action is required now?

Trustees of approved Jersey pension schemes may wish to consider the relationship between retirement under their scheme's rules and the Social Security Pension age at an upcoming meeting and agree on a suitable approach to take with regard to this matter going forward.

Mourant Ozannes is able to assist trustees of approved Jersey schemes in considering how best to accommodate the needs and wishes of their scheme's membership as a result of the increasing Social Security pension age.

## Contacts

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