Secondary Pensions Project

The main aim of the Secondary Pensions project is to make sure that people of working age are saving enough for their retirement and, if they can afford to, add some personal pension provision to the old age pension provided by the States. This will increase their income in retirement and also reduce the cost to the taxpayers of tomorrow in paying means-tested welfare benefits in old age.

It is estimated that around 40% of the working population currently have access to an existing occupational or personal pension scheme. This includes the private and public sectors. The implication of this is that approximately 60% of the working population, currently around 25,000 people, are not making any personal pension provision. Unless this 60% start saving for their old age, they will find themselves relying on the States old age pension funded by social security contributions, and possibly taxation financed benefits. In future, this might not be enough to avoid a poor standard of living in their retirement.

The then Social Security Department reported to the States in February 2016 (Billet d'État III of 2016) on proposals for the implementation of a new system of automatic enrolment into private pension saving for working age residents of Guernsey and Alderney.

The report received strong support within the States and among private sector employers who were consulted during the development of the report and the States approved the principles for the introduction of a Secondary Pension scheme, subject to further research, and an economic impact assessment of the proposals.

The scheme will not be compulsory for individuals. Instead employers will have a legal duty to enrol their employees automatically into the new Secondary Pension scheme or into another qualifying scheme. The employee can then decide to opt out and the employer will take them out of the scheme. The employer will be required to re-enrol the employee every two years. Again, the employee will be able to opt out, but it might be that their circumstances have changed and they feel more able to remain in the scheme.

Self-employed and non-employed people under pensionable age who make Social Security contributions would also be auto-enrolled. As there is no employer in these cases, the auto-enrolment would be done by the Social Security team. Self-employed and non-employed people who had been enrolled would be able to opt out.

Contributions into the scheme will increase over a period of 7 years starting at 1% rising to 6.5% for employees and 1% to 3.5% for employers.

Employers hereby include any charities who employ someone to assist them with their operations. There are no liabilities in respect of unpaid volunteers.

The main difference to the States Old Age Pension is that the money in the account remains the member's money. In the event of their death, whether before or after reaching pension age, the secondary pension savings will become part of the estate, to be distributed in accordance with the will and the laws of inheritance.

The target implementation date for the scheme is 2020. The Committee for Employment & Social Security have formed a project board with representatives from the Committee for

Employment and Social Security and the Policy and Resources Committee to progress this work and aim to report back to the States by September 2018 with detailed proposals.

Further information is available on http://www.gov.gg/secondarypensions.

If you would like to ask a question or would like to provide other feedback then please email socialsecurity@gov.gg.