

# **BWCI Guernsey Pension Age Survey**

## **Summary of results**

# Executive Summary

The age from which Guernsey's Old Age Pension will be payable is increasing from 65 to 67. The change is being phased in between 2020 and 2031 and everyone born after 1955 will be affected to some extent. The results of BWCI's latest survey of employers show that:

- 64% of employers currently have a contractual retirement age of 65
- 50% of employers are not sure how the changes might affect their employment terms
- 53% of employers with a pension scheme are unsure what the impact might be on their pension scheme

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# 1. Introduction

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## 1.1 Background

In July 2009 the States of Guernsey agreed, in principle, to phase in an increase in the States Pension Age over a 12 year period. As a result, the current States Pension Age of 65 will increase gradually to 67. The phasing in period begins in 2020 and everyone born after 1955 will be affected to some extent.

## 1.2 BWCI Survey

As the largest firm of actuaries and consultants locally, BWCI was keen to know to what extent employers had begun to consider the implications of the change.

We carried out a brief survey of local employers during December 2009 to provide an indication of how the changes might affect employers and any pension arrangements they might provide for their employees. The survey was emailed to Guernsey-based recipients of our quarterly newsletter Bandwagon. It was also available to complete on our website and well-publicised in the local media. A copy of the survey and the range of possible responses can be found in the Appendix.

This short report provides a summary the 88 responses received and our initial thoughts on them.

## 1.3 Wondering what to do next?

For those employers who are unsure of what action they need to take, a good place to start would be a review of both the terms and conditions of employment and the pension scheme rules. This review should identify those areas where changes might be necessary or desirable.

## 1.4 Further Information

If you have any questions about the survey, or would like any further information about either the changes to States Pension Age or the options for pension provision in Guernsey generally, please contact BWCI Partner Michelle Galpin ([mgalpin@bwcigroup.com](mailto:mgalpin@bwcigroup.com)).

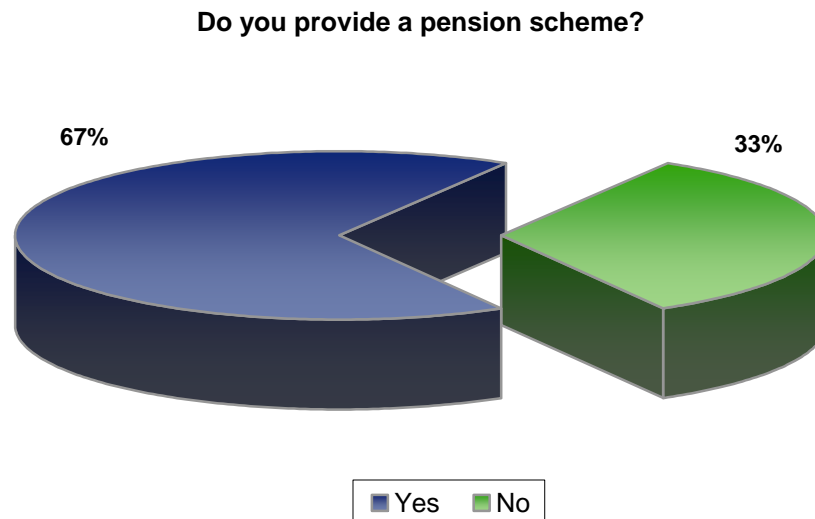
Details of the broad range of employee benefits, investment and insurance services provided by the BWCI Group can be found at [www.bwcigroup.com](http://www.bwcigroup.com).

## 2. Pension scheme provision

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### 2.1 Pension scheme provision

Not all employers provide a pension arrangement and we were interested to know whether this had an impact on how employers viewed the change in States Pension Age. The following chart shows the proportion of respondents to our survey who provide some form of pension scheme.



### 2.2 BWCi Comment

Two thirds of the employers who responded to our survey provide some form of pension provision as part of their remuneration package. This statistic does not necessarily accurately reflect the proportion of Guernsey employers providing pension benefits. This is because a significant number of the respondents will have links with the BWCi Group, in connection with the provision of pension or other employee benefits. This might mean that the overall results are biased towards those employers who provide a pension scheme. We have therefore also provided analysis of the two groups of employers separately. The results of the survey should provide a useful insight into current thinking.

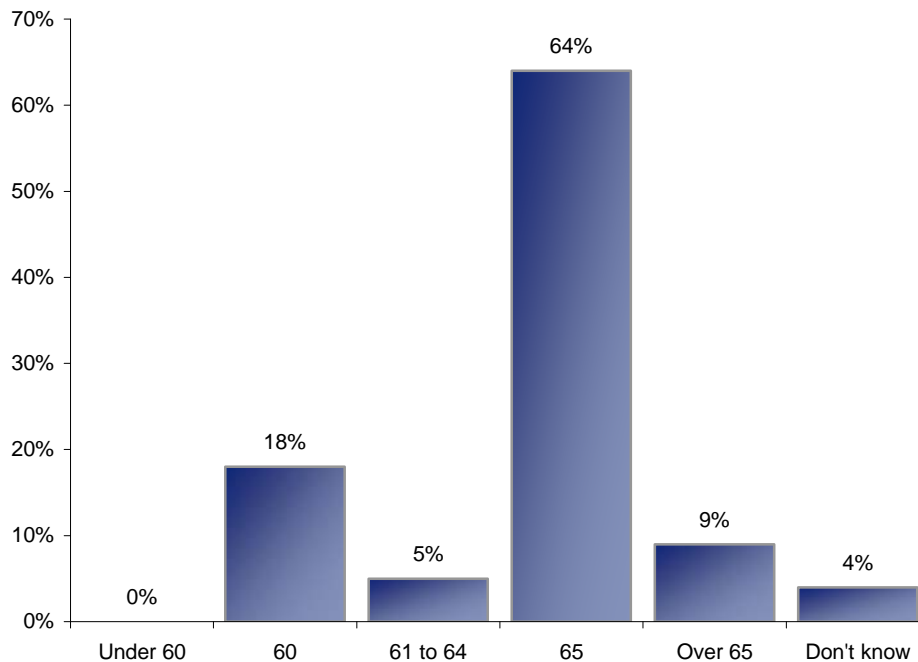
### 3. Contractual retirement age

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#### 3.1 All responses

The starting point for our survey was to establish the range of local employers' contractual retirement ages. This chart shows an analysis of the responses to the question:

*"What is your contractual retirement age currently?"*



The results of our survey indicate that almost two thirds of respondents currently have a contractual retirement age which is in line with the current States Pension Age of 65.

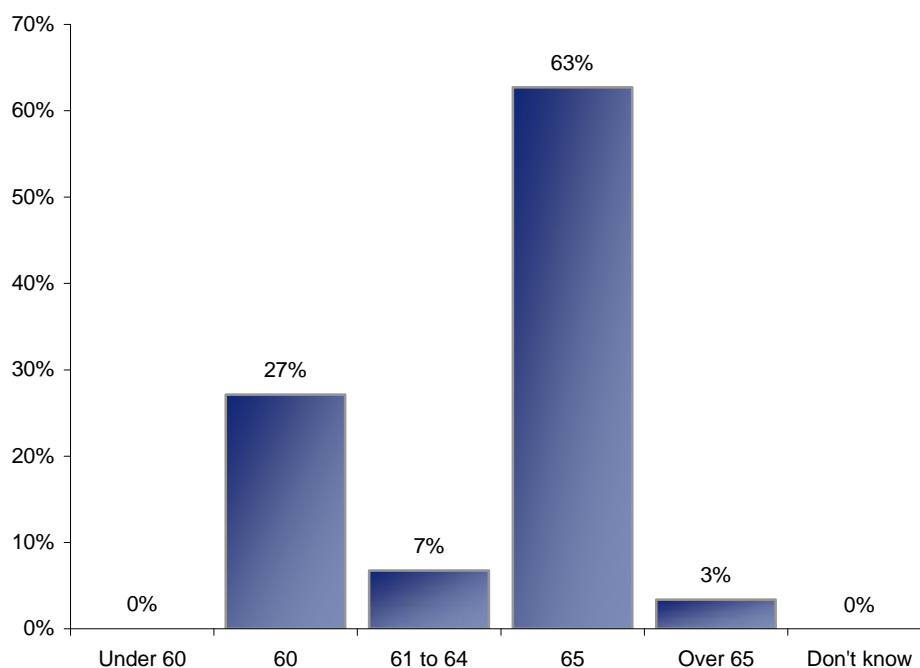
From feedback from the survey, we understand that some employers do not state any specific retirement age in their employment contracts and this may account for some of the 'Over 65' and 'Don't know' responses.

### 3. Contractual retirement age (continued)

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#### 3.2 Responses from employers providing pensions

We have also analysed the survey results in more detail, to see whether the contractual retirement age is affected by the decision to provide a pension scheme for employees. The chart shows the responses just from those employers who provide a pension scheme.



This graph is fairly similar to the one in section 3.1 (which includes all of the respondents) and again illustrates that 65 is the most typical contractual retirement age.

#### 3.3 BWCi Comment

The results of our survey indicate that almost two-thirds of respondents had a contractual retirement age of 65, regardless of whether or not a pension scheme was included as part of the remuneration package. This retirement age is in line with the current States Pension Age. The second most popular contractual retirement age is 60, with only a small number of employers having a contractual retirement age which is neither 60 nor 65.

Over recent years we have seen a general trend towards increasing retirement age as a means to help employers limit the costs of defined benefit pension provision. It will be interesting to see over time whether employers will further increase their retirement ages to be consistent with the age at which the Old Age Pension becomes payable in Guernsey.

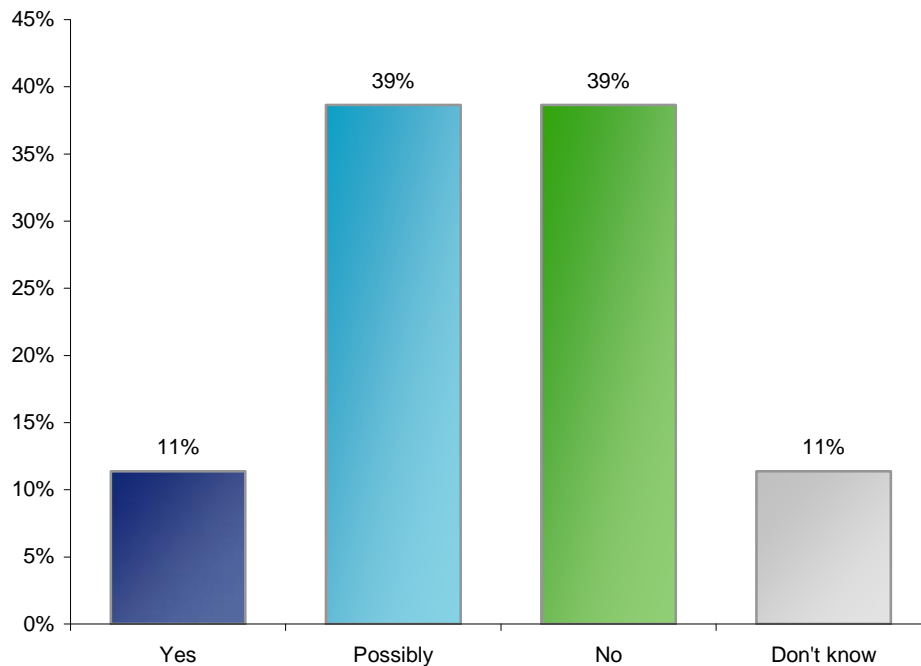
## 4. Impact on terms of employment

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### 4.1 All responses

Having established the current position, we were interested to find out about the extent to which employers thought that they would make any changes as a result of the increase in the States Pension Age. This chart shows the responses to the question:

*“Will the changes affect your terms of employment?”.*



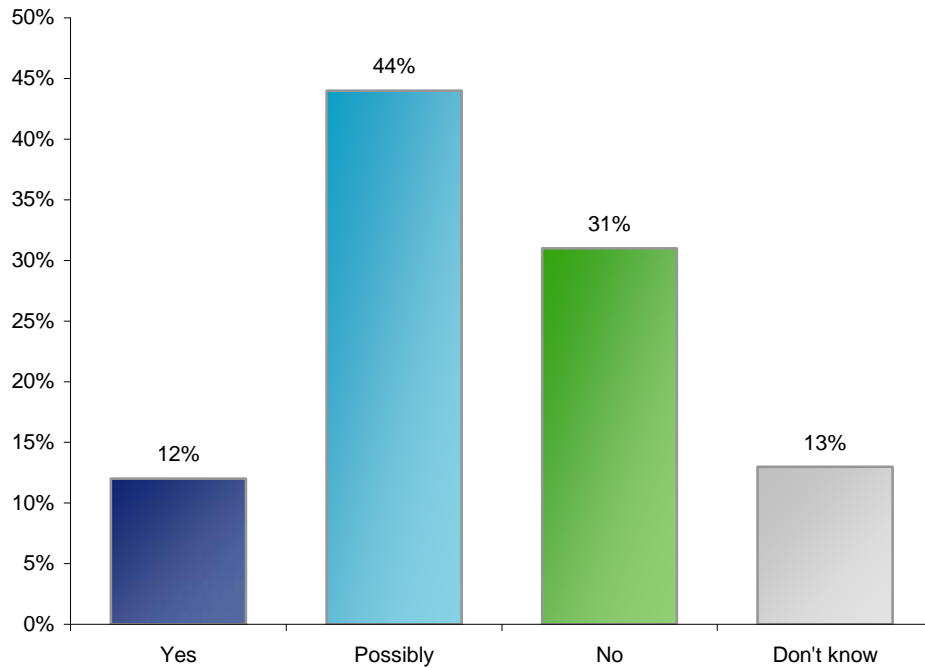
Almost 40% of respondents believe that their terms of employment will be unaffected by the change to the States Pension Age. However, half of all respondents are currently uncertain about whether or not changes will be required, with only 11% certain that a change would be required.

## 4. Impact on terms of employment (continued)

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### 4.2 Response from employers providing pensions

The following chart shows a summary of the results for just those respondents who provide a company pension scheme.



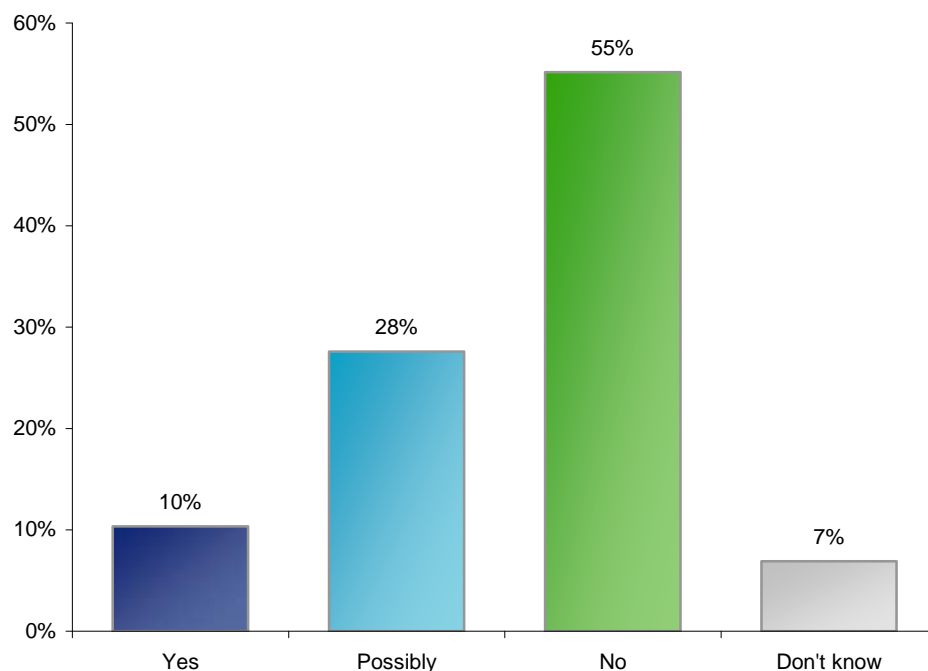
The survey results suggest that employers with pension schemes were slightly more uncertain about how the change would affect them. This is perhaps unsurprising as these employers will have more issues to consider, particularly if the benefit design of their current pension arrangements interacts with the Old Age Pension.

## 4. Impact on terms of employment (continued)

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### 4.3 Response from employers not providing pensions

Finally, in this section, we look at the responses from those respondents who do not currently provide a pension scheme.



The survey results indicate that employers who do not provide a pension scheme for employees are generally more confident of the implications of the change in States Pension Age, with the majority indicating that there should be no impact on their terms of employment.

### 4.4 BWCi Comment

The results indicate continuing uncertainty as to the impact on terms and conditions as a result of the planned changes to the States Pension Age almost six months after the initial decision by the States. Employers who do not provide a pension scheme are more confident that there will be no impact on terms and conditions of employment than employers providing a pension scheme.

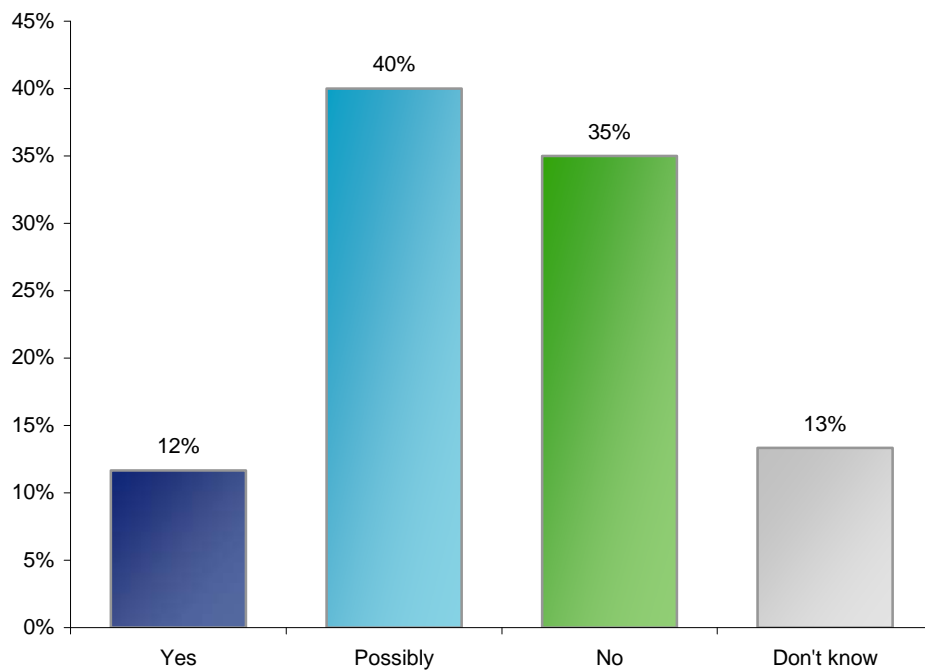
## 5. Impact on pension schemes

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### 5.1 Overall

The following chart shows the responses to the question:

*“Do you think the pension scheme may have to change as a result of changes to the States Pension Age?”*



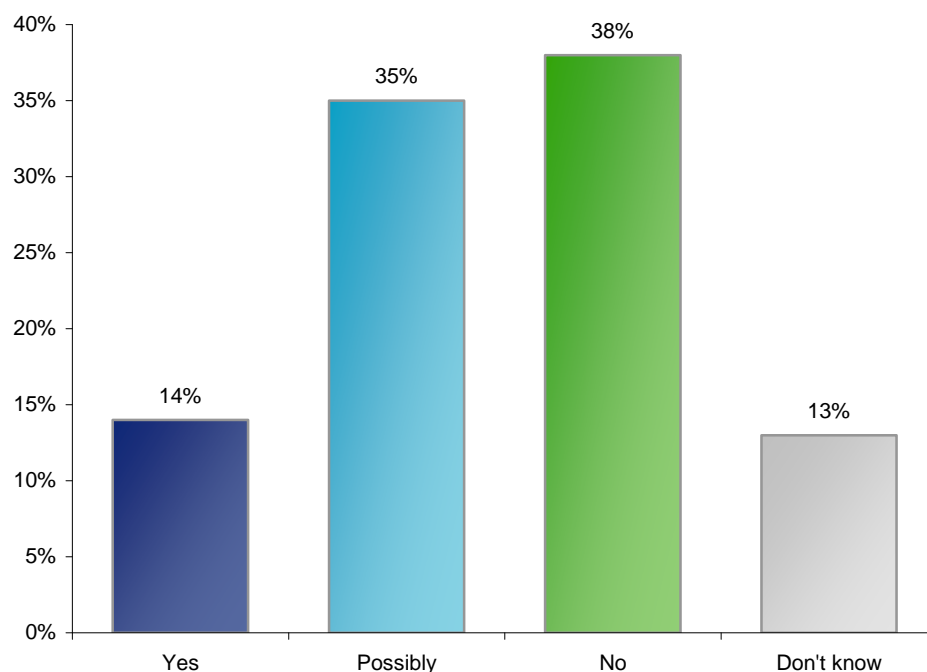
The responses to this question are similar to the expected impact on terms and conditions of employment for those providing a pension scheme (see section 4.2), but with slightly more respondents not expecting to require any changes. Once again, there is a significant amount of uncertainty as to the impact.

## 5. Impact on Pension Schemes (continued)

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### 5.2 Impact on schemes with a retirement age of 65

We thought that it might be useful to further split the chart in section 5.1 to show how respondents with a retirement age of 65 replied. The distribution of responses for this group is shown below.



The percentage of respondents answering “Yes” to this question was only slightly higher for this sub-group compared to all employers with pension schemes (14% compared to 12%). Perhaps surprisingly the percentage answering “No” was also slightly higher at 38%. Overall, there was more certainty for schemes with a retirement age of 65, perhaps because schemes where the retirement age is consistent with the States Pension Age are more likely to have investigated the impact of the changes.

### 5.3 BWCi Comment

Overall we anticipate a greater impact on pension schemes than employment contracts as a result of the increase in States Pension Age. This is because pension schemes are frequently designed to fit around the Old Age Pension benefit. This may be a simple deduction in benefit linked to the Old Age Pension or a more complex “bridging pension” where retirement age is before States Pension Age.

A “bridging pension” will typically provide for an additional income from the pension scheme for the period up to States Pension Age with a reduced scheme pension thereafter. Depending on the scheme rules, the change could lead to an increased liability for the scheme if the bridging pension needs to be paid for longer, or a drop in pension income between age 65 and States Pension Age for scheme members.

For schemes with a retirement age of 65 and a deduction for the Old Age Pension included in the benefit calculation there may now be some pressure from the workforce to include a bridging pension where this was previously not required.

We would be grateful if you would answer these questions about the increase in the age from which the Old Age Pension is payable in Guernsey and its impact on your staff pension arrangements. All respondents can receive a free copy of the survey results. Please provide an e-mail address if you would like to receive these results.

The closing date for survey responses is 18 December.

**1. Name (optional)**

**2. Company (optional)**

**3. E-mail address (optional)**

**4. What is your contractual retirement age currently?**

Under 60

60

61 to 64

65

Over 65

Don't know

**5. Will the change affect your terms of employment?**

Yes

Possibly

No

Don't know

**6. Do you provide a pension scheme?**

Yes

No

**7. If you answered "Yes" to Question 6, do you think the pension scheme may have to change as a result of changes to the States pension age?**

Yes

Possibly

No

Don't know