

**MINISTRY PAPER # \_\_\_\_\_**  
**Increase in Benefits for Government Pensioners**

1. This Honourable House is hereby asked to note that Cabinet has approved the granting of an increase to Government pensioners, including spouses and dependants of deceased officers.

2. In July 1991, regular increases were instituted following a decision by Cabinet in an effort to minimize the plight of pensioners caused by escalations in the cost of living. As a consequence, pensioners have been granted annual increased since July 1, 1991 and on 1<sup>st</sup> July of each successive year. The last increase was granted on July 1, 2005.

3. In respect of the 2006/07 fiscal year, an amount of Three Hundred Million Dollars (\$300M) has been made available to provide increases for pensioners. As in previous years, the consulting Actuary, Coke and Associates/Eckler Partners, assisted in developing a suitable model for the increase, bearing in mind the amount provided.

4. Emanating from consultations with the Actuary and representatives from the Jamaica Government Pensioners' Association, the model arrived at for the current year is as follows:

a. Increases are to range from a low of Five Hundred Dollars (\$500.00) per month for pensioners receiving Seventy Five Thousand Dollars (\$75,000.00) and over per month to a high of One Thousand, Five Hundred Dollars (\$1,500.00) per month for pensioners receiving under Twenty Thousand Dollars (\$20,000.00) per month. This is to utilize Two Hundred and Fifty Million Dollars (\$250M);

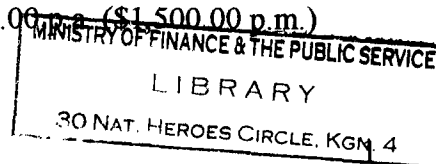
b. A special adjustment as was done last year to those pensioners who retired prior to January 1, 1995 and are receiving under Fifty Thousand Dollars (\$50,000.00) per month. This will utilize the remaining Fifty Million Dollars (\$50M).

5. All models, including the one decided on, took into consideration all pensioners who were:

- a. In retirement for at least 2 ½ years as at July 1, 2006;
- b. At least Fifty-Five (55) years of age, but waived for persons who retired on the grounds of ill-health;
- c. Widows/widowers and dependants in receipt of pension prior to July 1, 2006.

6. The implementation of the model is as follows:

<b><u>Category</u></b>	<b><u>Proposed Increase</u></b>
Under \$20,000.00 per month	\$18,000.00 p.a. (\$1,500.00 p.m.)



\$20,000.00 to \$29,999.00 p.m.	\$16,800.00 p.a. (\$1,400.00 p.m.)
\$30,000.00 to \$39,999.00 p.m.	\$15,600.00 p.a. (\$1,300.00 p.m.)
\$40,000.00 to \$49,999.00 p.m.	\$14,400.00 p.a. (\$1,200.00 p.m.)
\$50,000.00 to \$74,999.00 p.m.	\$7,200.00 p.a. (\$600.00 p.m.)
\$75,000.00 and over p.m.	\$6,000.00 p.a. (\$500.00 p.m.)

It is proposed that widows/widowers receive an increase of Twelve Thousand Dollars (\$12,000.00) p.a. (\$1,000.00 p.m.) while dependants receive an increase of Seven Thousand Two Hundred Dollars (\$7,200.00) p.a. (\$600.00 p.m.)

B. Special Adjustment for Pensioners who retired prior to January 1, 1995 and are receiving less than \$50,000.00 per month as at June 30, 2006

<u>Category</u>	<u>Additional Increases</u>
Those with service less than 20 years	\$4,080.00 p.a. (\$340.00 p.m.)
Those with service 20 years and over	\$8,160.00 p.a. (\$680.00 p.m.)

Summaries of the distribution of pensions before and after the 2006/2007 increase are at Annexure 1 and 2.

7. The increase will be applied as follows:

Effective date of increase: July 1, 2006

- Eligible persons:
- (a) Persons on pension for at least 2 ½ years as at July 1, 2006
  - (b) Persons 55 years of age or older at July 1, 2006
  - (c) Persons retired on the grounds of ill-health regardless of age at July 1, 2006
  - (d) Widows/widowers and dependants whose pension commenced prior to July 1, 2006

8. It should be noted that the previous minimum remains the same as follows:

	<u>Monthly</u>
Under age 55	\$400
Service for 10 years – under 20 years	\$6,000
Service of 20 years and over	\$10,000
Widows/Widowers	\$5,000
Dependants	\$3,625

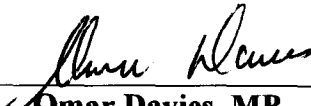
9. Pensioners previously covered by the United Kingdom/Jamaica Public Officers Agreement will not benefit from this increase because of the disparity between their pensions and those of their local counterparts. However, those officers benefited from the increase given in the 2003/2004 fiscal year and will be considered for increases in the future.

10. The model recommended will allow Eighteen Thousand, Two Hundred and Fifty-One (18,251) of the Twenty One Thousand, Six Hundred and Seventy-Eight (21,678) pensioners paid by the Accountant General's Department to receive increases. This is approximately 84% of the pensioners paid from this source. There are approximately 3,000 pensioners paid by other agencies.

11. The Three Hundred Million Dollars (\$300M) allocated for 2006/2007 increase has been apportioned between paying agents as follows:

	<b>\$M</b>
Pensioners paid by the Accountant General	277.63
Pensioners paid by Local Government Authorities and Statutory Bodies	<u>23.37</u>
	<b>300.00</b>

12. The projected cost of the increase for the fiscal year 2006/2007 is Two Hundred and Seventy-Seven Million, Six Hundred and Thirty Thousand Dollars (\$277,630,000.00) for the pensioners paid by the Accountant General. However, the Actuary has indicated that the cost will be within the budgeted allocation as no allowance has been made for deaths which would occur in the nine-month period from July 1, 2006 to July 31, 2007.

  
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**Omar Davies, MP**  
**Minister of Finance and Planning**  
**November 27, 2006**