



Pension Update

We refer to the message you received from the Policy and Resources Committee on 16 October 2023, concerning the Public Sector Pension Scheme (PSPS). While we welcomed the Policy and Resources Committee's opposition to the proposal to take a 'contribution holiday', it is important that members know what stance we have taken in respect of the Policy and Resources Committee's own proposal which was mentioned in the same communication.

While it is correct that we have been meeting the Policy and Resources Committee to discuss potential changes to the PSPS, we have made it clear that we are not supportive of the Policy and Resources Committee's intentions.

In brief, the Policy and Resources Committee is drawing up a proposal to take to the States in 2024 which would close the current defined benefit (DB) scheme to new members. New employees would then join a defined contribution (DC) scheme instead.

The key difference between a DB scheme and a DC scheme is the member benefits on retirement – these are defined in a DB scheme, but not in a DC scheme where an individual's pension depends on the investment performance of their 'pot'.

DC schemes are widely considered inferior to DB schemes in terms of member benefits.

We have significant concerns about the impact of this proposal on existing members, not least that this is likely to impact negatively on recruitment. No other British jurisdiction is making such a change, and many off-island recruits will be members of an existing DB scheme. Therefore, worsening recruitment could potentially increase existing employee workloads.

It is also possible that as the DB scheme matures, either employer or employee contributions, or both, will have to rise to continue to fund it. The Union's long-term concern is that as the number of DB members reduces, the employer will look to close the DB scheme in its entirety.

It should be noted, however, that all benefits already accrued cannot be changed; any changes in the future can only apply to future service.

The Policy and Resources Committee has said that provisions will be put in place to protect recruitment; however, we are awaiting full details of these, and we are doubtful whether these will fully mitigate the detrimental impact of the changes. We are also concerned that any mitigations will impact unfairly on local recruits compared with those recruited off-island.

We have been clear that any proposals to replace a DB scheme with a DC scheme will be unacceptable. We have also been clear that, given that any proposals made by the Policy and Resources Committee can be amended on the floor of the States, this process is like opening a Pandora's Box; it could result in a significantly worse proposal being adopted. The potential for this is clear from the recent amendment to reduce employer contributions to 0% for a period.

The Union will continue to oppose these changes and impress on the Policy and Resources Committee the dangers of adopting such proposals. We will keep members informed as the talks continue.