Dear States Member

The joint unions are extremely concerned by the amendment to the Funding and Investment Plan proposed by Deputies Heidi Soulsby and Gavin St Pier, which reads:

> *17) To agree that the employer contribution rate in respect of the defined benefit scheme part of the States of Guernsey Superannuation Fund be decreased to 0.00% for the period 1 January 2024 to 31 December 2026 having regard to the Fund being 107% funded based on the 2020 actuarial valuation, making around £76m available to fund capital expenditure and GWP [Government Work Plan] priorities.*

You may recall the bitter dispute over reforms to the Guernsey Public Sector Pension Scheme between 2013-15, which resulted in an unprecedented demonstration of member opposition and protracted legal cases. The reforms and dispute were largely the result of a 'payment holiday' that the States took in the late 2000s whereby the employer contribution was reduced to an unsustainable level, taking the scheme from a healthy position to one that required substantial intervention.

The pension dispute eventually ended with reforms that put the Pension Scheme on a long-term sustainable footing and resulted in the scheme moving from deficit to a small surplus at the last available actuarial valuation (but see below).

If the employer rate was to drop to 0% for three years, this would repeat the disastrous decisions of the 2000s and destroy the sustainable foundation of the scheme. The result would be highly likely to swing the scheme from a small surplus to a significant deficit that the States would then have to rectify, either through vastly increased employer contributions, or through further reforms to pension benefits that would undoubtedly lead, as last time, to significant industrial unrest.

As it is, in response to the surplus, last year, the States agreed a cut to the employer contribution rate. The joint unions were concerned that this was premature, based on the fact that it was on an actuarial valuation at the end of 2020 that pre-dated the effects of Covid, the Ukraine War and high inflation rates. The fact that the

proponents of this amendment are seeking to rely on an actuarial valuation that is now nearly three years out of date is concerning. The ethics of diverting monies that should be paid into a Pension Fund to finance capital and revenue projects is also highly questionable.

Additionally, there are serious governance issues if the employer's contribution rate is to be amended without following the agreed consultative mechanisms with unions through the Pensions Consultative Committee.

The joint unions, therefore, urge Deputies to reject this foolhardy and reckless amendment, which is proposed without any modelling of the impact on the Scheme, and which would cost the States and its employees dearly in future years.

Yours sincerely

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