APPENDIX A

GUERNSEY PUBLIC SECTOR PENSIONS

Proposed changes from 1 January 2014

Introduction

Over the last 12 months a Joint Working Group has been reviewing the pension arrangements for all public sector employees. The Joint Working Group consists of 3 representatives from Employee organisations, 3 representatives of the Employer and an independent chairman.

The Joint Working Group has now reached agreement on the proposed future of public service pensions. The proposed arrangements are designed to provide an appropriate, guaranteed level of income in retirement whilst remaining affordable and sustainable. This is achieved by addressing the risk to the States of the rising cost of benefits due, in part, to increasing average life expectancy.

This leaflet sets out the key details of the proposed new pension arrangement.

What happens next?

A report setting out the terms of the revised scheme will be submitted to the States for endorsement.

The Employee organisations will seek endorsement from their constituent organisations.

What is the position of pension rights already earned?

- All pension rights earned in the scheme up to the point of change will be unaffected and based on your final salary when you leave service. No-one will lose any pension entitlements that they have already built up.

What are the key facts in the proposal for the revised pension scheme?

- The target implementation date of the revised scheme is 1 January 2014. It will relate to service from this date.

- The revised scheme will continue to provide guaranteed benefits but they will be based on your average earnings over the course of your career, rather than on your final salary, up to a salary limit linked to a civil service grade which is currently £85,000 pa. This type of scheme is called a Career Average Revalued Earnings Scheme (a CARE scheme).

- The annual rate of pension accrual will be 1/80th of pensionable pay each year, with no limit to your service, with a separate lump sum accruing at 3/80th of pensionable pay.

- Pensionable pay will be capped at a pay level linked to a civil service grade which is currently £85,000 pa. An allowance in lieu of an employer's pension will be paid to members earning above this level.

- Members will be able to add to the benefits earned through employment by contributing to a separate defined contribution section of the scheme.

- Your Normal Pension Date will be the State Pension Age. The State Pension Age is currently age 65. However, it will increase to age 67 by 2031. It will start to increase in 2020 and will increase by two months each year until it reaches age 67.

- Police and Fire Fighters will have a Normal Pension Date of the State Pension Age less 5 years.

- If you are within 5 years of your Normal Pension Date when the proposals are endorsed by the States, you will retain your current Normal Pension Date.

- Pensions will increase in line with RPIX. Pensions accrued in the revised scheme will be subject to a maximum increase in any year of 5%.

- Employee contributions will be 8% of pensionable pay except for Police Officers and Fire Fighters who will pay 9.5% due to their earlier Normal Pension Date.

- The Employer's contribution for future service benefits (and past service longevity costs), cannot exceed 14% of pensionable pay. If it does members' future benefits and/or contributions would be adjusted.

How does a CARE scheme work?

For each year of employment you will earn a pension based on your income for that year. When you retire, these yearly amounts (revalued to retirement in line with RPIX price inflation capped at 5% pa) are added together to calculate your retirement pension.

In a CARE scheme everyone earns the same proportion of their total salary in their pension scheme. CARE schemes are thus fairer than final salary schemes.

Will I have to work longer?

No-one will be forced to work longer than they want to. You will still be able to choose to retire before your new Normal Pension Date. You should be aware that if you do retire before Normal Pension Date your pension would be reduced for early payment, as currently.

You can, of course, choose to remain working longer, to your new Normal Pension Date, and benefit from having a salary for a longer period. This would also enable you to accrue additional pension benefits.

You can choose to reduce your working hours (with your Employer's consent) to mix work and retirement.

Summary

To summarise, your pension will be calculated in 2 components

- the benefits you have earned before 2014, based on your final salary on leaving service; plus

- the benefits you have earned from 2014, based on your average revalued earnings

Conclusion

The above is a high level summary of the proposed changes to the scheme. If you have any questions please contact Terry Harnden (email **terry.harnden@gov.gg**) or contact your staff representative.