

THE STATES OF DELIBERATION
of the
ISLAND OF GUERNSEY

COMMITTEE FOR EMPLOYMENT & SOCIAL SECURITY

CONTRIBUTORY BENEFIT AND CONTRIBUTION RATES FOR 2026

The States are asked to decide:

Whether, after consideration of the Policy Letter entitled 'Contributory Benefit and Contribution Rates for 2026', dated 8th September 2025, they are of the opinion:

1. To set the contributions limits and rates as set out in Tables 5, 6 and 7 of the Policy Letter, from 1st January 2026.
2. To set the standard rates of contributory social insurance benefits as set out in Table 8 of the Policy Letter, from 5th January 2026.
3. To set the contribution (co-payment) required to be made by the claimant of care benefit, under the Long-term Care Insurance Scheme, at the rates set out in Table 10 of the Policy Letter, from 5th January 2026 and 6th July 2026.
4. To set the weekly long-term care benefit at the rates set out in Table 11 of the Policy Letter, from 5th January 2026 and 6th July 2026.
5. To set the weekly respite care benefit at the rates set out in Table 12 of the Policy Letter, from 5th January 2026 and 6th July 2026.
6. To direct the preparation of such legislation as may be necessary to give effect to the above decisions.

The above Propositions have been submitted to His Majesty's Procureur for advice on any legal or constitutional implications in accordance with Rule 4(1) of the Rules of Procedure of the States of Deliberation and their Committees.

THE STATES OF DELIBERATION
of the
ISLAND OF GUERNSEY

COMMITTEE FOR EMPLOYMENT & SOCIAL SECURITY

CONTRIBUTORY BENEFIT AND CONTRIBUTION RATES FOR 2026

The Presiding Officer
States of Guernsey
Royal Court House
St Peter Port

8th September 2025

Dear Sir

1. Executive summary

- 1.1. The Committee *for* Employment & Social Security ('the Committee') has undertaken its annual review of the contributions to, and benefits funded from, the Guernsey Insurance Fund and the Long-term Care Insurance Fund for which it is responsible.
- 1.2. Benefits funded from the Guernsey Insurance Fund are also referred to as 'social insurance benefits'. To be eligible to receive them, an individual must have paid, or been credited, a certain number of weekly social security contributions, and meet other eligibility criteria dependant on the benefit. In some cases, the amount of benefit payable varies depending on the completeness of the individual's contribution record. The most well-known of these benefits is the States pension, but there are a number of other social insurance benefits, including sickness, unemployment, parental, and bereavement benefits.
- 1.3. The Committee recommends that the States pension, and all other benefits funded from the Guernsey Insurance Fund, be increased in 2026 by 4.2%, this being in line with the guideline 'double lock and look back policy', as described in paragraphs 2.1 to 2.7.
- 1.4. Benefits funded from the Long-term Care Insurance Fund assist Guernsey and Alderney residents over the age of 18 with the cost of receiving bed-based long-term care or respite care in a private care home, subject to meeting the various eligibility criteria.

- 1.5. On 20 February 2025, the States agreed a number of measures to improve the stability of the private care home market while mitigating the impact this would have on expenditure from the Long-term Care Insurance Fund. These measures included, but were not limited to, increasing the standard rates for beds in residential and nursing homes to the mid-point of an analysis conducted in 2022 using the LaingBuisson research toolkit ('the 2022 analysis')¹; a phased increase of the co-payment to be in line with accommodation and living costs in a private care home, as determined by the 2022 analysis; increasing one of the residency requirements to receive long-term care benefit to 20 years' aggregate residence, as an adult, since 1st January 2003;² introducing a user care cost contribution of up to £10,000 to be paid by those who could afford it prior to entering into entitlement for care benefit, and a guideline uprating policy for care benefits of Guernsey RPIX +1%.
- 1.6. The Committee therefore recommends that the benefits funded from the Long-term Care Insurance Fund be increased by 4.7%, this being the annual rate of 'core' inflation (RPIX) for the year ending 30th June 2025, plus 1%.
- 1.7. This Policy Letter also provides an update on the Supported Living and Ageing Well Strategy ('SLAWS'), and the Work & Wellbeing Strategy.

¹ An industry standard toolkit for establishing the true costs of residential care constructed by LaingBuisson, an independent provider of healthcare market data ([Care Cost Benchmarks toolkit 13ed | LaingBuisson](#)).

² Transitional arrangements were also approved by the States to ensure that any person who meets the current residency conditions (five years' continuous residence at any time, as well as one year of continuous residence immediately prior to requiring long-term care) on the day before the new residency requirements take effect would remain eligible to receive care benefit, provided that they meet the other eligibility criteria and remain ordinarily resident in Guernsey or Alderney prior to requiring care.

PART I: UPDATING POLICY

2. Updating policy for benefits funded from the Guernsey Insurance Fund

- 2.1. The guideline policy for updating the States pension and all other benefits funded from the Guernsey Insurance Fund (i.e. social insurance benefits) is known as the 'double lock and look back policy'.
- 2.2. The double lock element of the policy means that social insurance benefits are increased either by whichever is the higher out of:
- RPIX for the year ending 30th June; or
 - RPIX as at 30th June plus one third of the difference between that RPIX figure and nominal median earnings for the year ending 31st December of the previous year (known as 'the one-third updating policy').
- 2.3. The 'one-third updating policy' was agreed by the States in 2015, following consideration of a Policy Letter entitled 'Benefit and Contribution Rates for 2016'³ ('the 2015 Policy Letter') and adjusted by the States in 2020, following debate of a Policy Letter entitled 'Updating Policy for the States' Pension'⁴. As the States pension is a contributory benefit funded from the Guernsey Insurance Fund (GIF), it was noted in the 2015 Policy Letter that ideally, from the beneficiary's perspective, pensions should be uprated in line with increases in median earnings in order to maintain pensioners' level of prosperity relative to median earnings at the same level as when the individual first reached pension age. However, from the perspective of financing the States pension and other contributory benefits, an updating policy matching the increase in median earnings is very costly as median earnings tend to increase over the longer term by more than inflation. The 'one-third updating policy' represented a compromise position between these two interests, albeit slightly more in favour of the financial sustainability of the GIF.
- 2.4. However, in some instances, RPIX as at 30th June is higher than the nominal increase in median earnings as at 31st December in the previous year. This situation occurred in, for example, 2018, 2019, 2022, and 2023. In those instances, the application of the one-third updating policy would have resulted in a below-inflation increase to the rate of the States Pension and other benefits funded from the GIF. At the time, these benefits were instead increased by RPIX in order to ensure that they maintained their value in real

³ Benefit and Contribution Rates for 2016 ([Billet d'État XVIII of 2015, Article VIII](#)).

⁴ Updating Policy for the States' Pension ([Billet d'État V of 2020, Article IX](#)).

terms. However, prior to 2023, this was done on a responsive basis, without a formally agreed policy in place.

- 2.5. In October 2023, the States agreed that the double lock policy should be the standard uprating policy for the social insurance benefits. The States further agreed to refine the double lock policy to include a retrospective 'look back' element to address the fact that, in the instances described in the previous paragraph, past increases to benefit and contribution rates based on RPIX only were higher than they would have been under the one third policy.
- 2.6. Using the 'look back', past increases to benefit and contribution rates which were higher using RPIX instead of the one third policy are balanced out by deducting the extra amount from the increase/s applied in future years.
- 2.7. If engaging the 'look back' would bring the increase below RPIX in a particular year, an RPIX increase would be applied and any outstanding deductions carried forward to future years.
- 2.8. The 'double lock and look back policy' was fully described in section 2 of the Policy Letter entitled 'Contributory Benefits and Contribution Rates for 2024'⁵.
- 2.9. Due to difficulties outside of the Committee's control which relate to the Rolling Electronic Census, data relating to median earnings as at 31st December 2024 are not yet available. That being so, the Committee proposes that the latest available figure for the annual increase in nominal median earnings be used in the 'one-third uprating policy' formula – that being the figure for the year ending 30th June 2024. A similar approach was taken in 2020, when the timing of the general election meant that the Policy Letter entitled 'Contributory Benefits and Contribution Rates for 2021'⁶ was submitted earlier than normal and before the publication of Q2 2020 RPIX figure. In that case, the latest available RPIX figure (Q1 2020) was used instead.
- 2.10. For the avoidance of doubt, in recent years the difference between the change in nominal median earnings as at 30th June and 31st December has often been relatively small. From 2016 to 2020, this difference did not exceed 0.3% and although nominal median earnings began increasing by more than usual from 2021 onwards, pronounced differences between Q2 and Q4 data have only been observed in 2022 and 2023. The changes in nominal median earnings as at 30th June and 31st December from 2016 to 2024 are set out in Table 1 overleaf.

⁵ Contributory Benefits and Contribution Rates for 2024 ([Billet d'État XVII of 2023, Article III](#)).

⁶ Contributory Benefits and Contribution Rates for 2021 ([Billet d'État XVI of 2021, Article IV](#)).

Table 1 – Changes in nominal median earnings as at 30th June and 31st December, from 2016 to 2024

Year	Change ⁷ in nominal median earnings as at:		Difference
	30 th June	31 st December	
2016	2.6%	2.3%	-0.3%
2017	1.6%	1.9%	0.3%
2018	2.7%	3.3%	0.6%
2019	2.8%	2.7%	-0.1%
2020	2.5%	2.5%	0.0%
2021	4.5%	4.9%	0.4%
2022	3.8%	5.7%	1.9%
2023	8.3%	7.0%	-1.3%
2024	5.3%	-	-

- 2.11. The annual rate of inflation (RPIX), as at 30th June 2025, was 3.7%. The annual change in nominal median earnings, as at 30th June 2024, was 5.3%. Therefore, the double lock policy results in a proposed increase of 4.2%, as set out below:

$$\text{Double lock policy: } 3.7\% + \frac{(5.3\% - 3.7\%)}{3} = 4.2\%$$

- 2.12. It is not necessary to engage the look back element of the double lock and look back policy when setting benefit rates for 2026 as there are no corrections to apply. Previous corrections were applied when setting social insurance benefit rates for 2025.
- 2.13. Therefore, the Committee recommends that the rates of the States pension and other benefits funded from the Guernsey Insurance Fund be increased in 2026 by 4.2%.
- 2.14. As the one-third uprating policy only gives regard to one third of the difference between nominal median earnings and RPIX, even if the difference between the change in nominal median earnings between 30th June and 31st December 2024 was equal to the highest recent difference (1.9% in 2022) (which was highly unusual), the one-third uprating policy would have produced a result only 0.7% higher than the Committee's proposed increase of 4.2%.
- 2.15. The Committee will review data relating to median earnings as at 31st December 2024 once it is available and will consider whether an adjustment is

⁷ Compared with one year earlier.

required to reflect the difference in the change in nominal median earnings between 30th June and 31st December 2024.

- 2.16. In preparing its proposals for 2026 benefit rates, the Committee has given some consideration to the use of retail price indices as the measure by which its uprating policies are calculated. It notes that household cost indices were added to the suite of price inflation indices published for Guernsey from October 2022. These indices provide greater understanding of how different types of households in Guernsey experience rates of price inflation. As some of these household types reflect, to some extent, groups of beneficiaries – for example, low income households, households containing one or more children, and households containing one or more retired person – the Committee intends to consider, as part of a wider policy prioritisation process, whether to undertake a review to determine the appropriateness of an uprating policy which is more sensitive than RPIX to the impact of price inflation on low income households.

PART II: INCOME

3. Contributions

Proposed contribution rates for 2026

- 3.1. In October 2021, following consideration of a Policy Letter entitled ‘Contributory Benefits and Contribution Rates for 2022⁸’, the States approved a ten-year plan to increase the percentage contribution rates to the Guernsey Insurance Fund, and a four-year plan to increase the percentage contribution rates to the Long-term Care Insurance Fund, subject to States approval of each annual increment. This was considered to be a positive measure to secure the long-term financial sustainability of the Guernsey Insurance Fund and the Long-term Care Insurance Fund (‘the Funds’), following the outcome of actuarial reviews of the Funds undertaken by the UK Government Actuary’s Department. These reviews covered the period 1st January 2015 to 31st December 2019 and projected that without any changes to the scope of the income paid into, or the payments made from, the Funds, the Guernsey Insurance Fund would be exhausted by 2039 and the Long-term Care Insurance Fund would be exhausted by 2053.
- 3.2. When the States agreed to increase the percentage contribution rates to the Funds, the Tax Review was being undertaken to determine how Guernsey’s tax base could best be made capable of raising sufficient revenues to meet long-term government expenditure needs in a sustainable manner. The previous Committee considered it important to act with urgency to improve

⁸ Contributory Benefits and Contribution Rates for 2022 ([Billet d’État XX of 2021, Article XI](#)).

the sustainability of the Funds as soon as possible, noting that the ten- and four-year plans might be superseded by revenue raising measures agreed through the Tax Review. The first increase to contribution rates was applied in 2022, this being the first increase since 2017.

- 3.3. In February 2023,⁹ the States considered, and ultimately rejected, proposals put forward by the Policy & Resources Committee to introduce a broad-based Goods and Services Tax (GST) of 5% as part of a package of measures designed to increase the States' revenues.
- 3.4. At the time, the Policy & Resources Committee noted that a progressive restructure of social security contributions was central to revenue raising measures and was particularly beneficial for low-income households, while higher income households would pay more both through the restructure of the contributions system and via the GST. It was anticipated that, for those in low-income employment, the change in the contributions system alone might be enough to compensate them for increased prices as a result of the implementation of a GST and they would be further supported by changes in personal income tax and benefits.
- 3.5. Although these proposals for a GST were not approved in 2023, in November 2024,¹⁰ when considering the Annual Budget for 2025, the States agreed, among other things:

“1B. To direct the Policy & Resources Committee, working with the Committee *for* Employment & Social Security, to finalise proposals and submit legislation to the States of Deliberation to implement an integrated package of revenue raising measures in time for that package to be operative from the start of 2027, which would include (without limitation) the introduction of an additional 15% lower tax rate band for individuals, a restructure of social security contributions, a broad based Goods and Services Tax of 5% and other mitigating measures...”
- 3.6. Pending implementation of the above package, or an alternative, the Committee recommends that the fifth step of the current ten-year plan in respect of contributions to the Guernsey Insurance Fund be taken.
- 3.7. The fourth and final step of the four-year-plan in respect of contributions to the Long-term Care Insurance Fund took place with effect from 1st January 2025. The Committee is therefore not recommending an increase to the percentage contribution rates to the Long-term Care Insurance Fund in 2026.

⁹ See Section 8 of The Tax Review: Phase 2 ([Billet d'État III of 2023, Article V](#)).

¹⁰ The States of Guernsey Annual Budget for 2025 ([Billet d'État XIX of 2024, Article I](#)).

- 3.8. The effect of this, from 1st January 2026, will be to increase the percentage contribution rates for employers from 7.0% to 7.1%, for employees from 7.4% to 7.5% (i.e. a combined Class 1 contribution rate of 14.6%), for self-employed persons from 12.2% to 12.4% and for non-employed persons under pension age from 11.6% to 11.8%. No change is proposed to the contribution rate for non-employed persons over pension age, who are not required to contribute to the Guernsey Insurance Fund. Appendix 1 sets out current and anticipated future¹¹ changes to contribution rates under the ten-year plan.
- 3.9. The percentage contribution rates proposed for 2026 are set out in Tables 2, 3 and 4 below and overleaf, compared to the rates for 2025. These tables also show how the contribution income from each class will be split between the Guernsey Insurance Fund, the Long-term Care Insurance Fund and the Guernsey Health Service Allocation.
- 3.10. The estimated cost to General Revenue of increasing the employers' contribution rate by 0.1% in 2026 is between £290,000 and £300,000 in respect of public sector employees. However, it is noted that the proposed increases in contribution rates will raise additional revenues of approximately £5.4m per annum.

Table 2 – Current contribution rates, proposed contribution rates for 2026, and the proportions of income split between the funds for employed persons (Class 1)

Employed persons (Class 1)	2025 (current)	2026 (proposed)
Employer	7.00%	7.10%
Guernsey Insurance Fund	7.00%	7.10%
Guernsey Health Service Allocation	-	-
Long-term Care Insurance Fund	-	-
Employee	7.40%	7.50%
Guernsey Insurance Fund	3.35%	3.45%
Guernsey Health Service Allocation	1.85%	1.85%
Long-term Care Insurance Fund	2.20%	2.20%
Combined	14.40%	14.60%
Guernsey Insurance Fund	10.35%	10.55%
Guernsey Health Service Allocation	1.85%	1.85%
Long-term Care Insurance Fund	2.20%	2.20%

¹¹ Future changes are subject to States' approval on an annual basis.

Table 3 – Current contribution rates, proposed contribution rates for 2026, and the proportions of income split between the funds for self-employed persons (Class 2)

Self-employed persons (Class 2)	2025 (current)	2026 (proposed)
Totals	12.20%	12.40%
Guernsey Insurance Fund	8.15%	8.35%
Guernsey Health Service Allocation	1.85%	1.85%
Long-term Care Insurance Fund	2.20%	2.20%

Table 4 – Current contribution rates, proposed contribution rates for 2026, and the proportions of income split between the funds for non-employed persons (Class 3)

Non-employed persons (Class 3)	2025 (current)	2026 (proposed)
Under pension age	11.60%	11.80%
Guernsey Insurance Fund	7.40%	7.60%
Guernsey Health Service Allocation	1.90%	1.90%
Long-term Care Insurance Fund	2.30%	2.30%
Over pension age	3.80%	3.80%
Guernsey Insurance Fund	-	-
Guernsey Health Service Allocation	1.30%	1.30%
Long-term Care Insurance Fund	2.50%	2.50%

Proposed contribution earnings and income limits, non-employed income allowance and voluntary contribution rates for 2026

- 3.11. The Committee is recommending that all contribution earnings and income limits, the non-employed income allowance, and the overseas voluntary contribution rates for self-employed and non-employed persons are increased by approximately¹² 4.2%, in line with the double lock and look back policy.
- 3.12. Tables 5, 6 and 7 overleaf show the effects of the proposed increase in contribution limits and rates for all contributor classes, compared with current (2025) limits and rates.

¹² The proposed increases may not be precisely 4.2% due to rounding and the need for certain limits to be divisible by 52 (weeks) and 12 (months).

Table 5 – Proposed Class 1 contribution limits and rates for 2026 compared to 2025

Class 1 – Employed persons	2025 (current)	2026 (proposed)
Employer	7.0%	7.1%
Employee	7.4%	7.5%
Upper Earnings Limit:		
Weekly	£3,627.00	£3,780.00
Monthly	£15,717.00	£16,380.00
Lower Earnings Limit:		
Weekly	£184.00	£192.00
Monthly	£797.33	£832.00
Weekly rate (employee):		
Maximum	£268.40	£283.50
Minimum	£13.62	£14.40
Weekly rate (employer):		
Maximum	£253.89	£268.38
Minimum	£12.88	£13.63

Table 6 – Proposed Class 2 contribution limits and rates for 2026 compared to 2025

Class 2 – Self-employed persons	2025 (current)	2026 (proposed)
	12.2%	12.4%
Annual Earnings Limit:		
Upper	£188,604.00	£196,560.00
Lower	£9,568.00	£9,984.00
Weekly rate:		
Maximum	£442.49	£468.72
Minimum	£22.45	£23.81
Overseas contribution (weekly)	£137.10	£142.86

Table 7 – Proposed Class 3 contribution limits and rates for 2026 compared to 2025

Class 3 – Non-employed persons	2025 (current)	2026 (proposed)
Under pension age	11.6%	11.8%
Over pension age	3.8%	3.8%
Annual Income Limit (under and over pension age):		
Upper	£188,604.00	£196,560.00
Lower	£23,920.00	£24,960.00

Class 3 – Non-employed persons	2025 (current)	2026 (proposed)
Allowance ¹³ (under and over pension age)	£10,674.00	£11,122.00
Weekly rate (under pension age):		
Maximum	£396.92	£420.80
Minimum	£29.55	£31.40
Weekly rate (over pension age):		
Maximum	£130.03	£135.51
Minimum	£9.68	£10.11
Overseas voluntary contribution ¹⁴ (weekly)	£124.01	£129.22
Voluntary contribution ¹⁵ (weekly)	£29.55	£31.40
Special rate non-employed (weekly)	£29.55	£31.40

PART III: EXPENDITURE – CONTRIBUTORY BENEFITS

4. Expenditure financed by the Guernsey Insurance Fund

- 4.1. As set out in paragraph 2.13, the Committee is recommending that the rates of the States pension and other social insurance benefits be increased by 4.2%, in line with the double lock and look back policy (with a required adjustment due to a data availability issue).
- 4.2. The proposed new weekly rates of benefits and grants, to be effective from 5th January 2026, are set out in Table 8 overleaf. These rates of benefits and grants apply to persons who have fully satisfied the relevant contribution conditions. Reduced rates of benefit are payable on incomplete contribution records, down to threshold levels, after which, no benefit is payable.

¹³ The allowance is subtracted from annual income with liability being calculated on the balance. A non-employed person whose income, before the deduction of the allowance, falls below the lower income limit, is exempt from paying contributions.

¹⁴ Overseas voluntary contributions are payable by people who are no longer living in Guernsey or Alderney but wish to maintain their record for pension purposes.

¹⁵ Voluntary contributions are payable by non-employed people who have income below the lower income limit but wish to maintain their record for pension purposes.

Table 8 – Proposed rates of social insurance benefits for 2026 compared to 2025 rates

Weekly paid benefits	2025 (current)	2026 (proposed)
<u>States Pension</u>		
Insured person	£280.32	£292.09
Increase for dependant wife ¹⁶	£140.42	£146.32
Total	£420.74	£438.41
<u>Survivor's Benefits</u>		
Widowed Parent's Allowance	£294.79	£307.17
Bereavement Allowance ¹⁷	£253.49	£264.14
Maternal Health Allowance, Newborn Care Allowance, and Parental Allowance	£280.84	£292.67
Unemployment Benefit, Sickness Benefit, and Industrial Injury Benefit	£206.36	£215.04
Incapacity Benefit	£247.87	£258.30
Industrial Disablement Benefit (100%) ¹⁸	£225.90	£235.39
One off grants:		
Maternity Grant and Adoption Grant	£516.00	£538.00
Death Grant	£807.00	£841.00
Bereavement Payment	£2,547.00	£2,654.00

- 4.3. If the Committee's proposals for benefit rates are approved, the 2026 estimated expenditure from the Guernsey Insurance Fund will be £219.1m (2025 forecast: £210.4m), as shown in Table 9 overleaf.
- 4.4. This estimate includes:
- the proposed 4.2% increase in the general rates of benefits (2025: +4.9%),
 - an anticipated increase in the number of pension claims as a result of the ageing demographic,
 - other policy decisions previously approved by the States, such as increasing pension age, and
 - estimated administration costs for 2026 of £6.4m (2025 forecast: £6.6m).
- 4.5. Benefits paid from the Guernsey Insurance Fund are statutory entitlements based, almost wholly, on the number of contributions paid. States pension

¹⁶ For people whose marriages took place before 1st January 2004, and who reached pension age before 1st January 2014.

¹⁷ Widow's pension is also payable at this rate. New applications cannot be made but there are still historic cases continuing.

¹⁸ Lower rates are payable based on degree of disability.

expenditure accounts for over 87% of the total benefit expenditure from the Fund. As of 4th July 2025, there were 19,155 people in receipt of a pension from Guernsey (1st July 2024: 19,116).

- 4.6. Table 9 below shows annual benefit and administration expenditure from the Guernsey Insurance Fund for the years 2022 to 2024, the budget forecast for 2025 and projected expenditure for 2026. [Note that 'Administration' in 2025 and 2026 includes, in addition to administration costs, the cost of essential maintenance works at Edward T. Wheadon House which are expected to be completed in 2026].

Table 9 – Summary of expenditure from the Guernsey Insurance Fund

	2022 Actual £m	2023 Actual £m	2024 Actual £m	2025 Forecast £m	2026 Budget £m
Pension	142.8	154.2	169.6	176.6	184.5
Incapacity	10.4	11.3	12.0	13.4	13.6
Sickness	5.0	5.2	5.8	6.4	6.5
Parental	2.7	2.6	2.6	2.8	3.0
Bereavement	1.9	1.9	1.9	1.9	2.1
Unemployment	0.5	1.1	1.3	1.6	1.7
Industrial	0.9	1.0	1.1	1.0	1.2
Total benefit expenditure	164.2	177.3	194.3	203.7	212.6
Administration	4.7	5.1	5.0	6.7	6.5
Total expenditure	168.9	182.4	199.3	210.4	219.1

5. Work & Wellbeing Strategy update

- 5.1. In May 2025, the former Committee launched the Work & Wellbeing Strategy¹⁹ ('the Strategy'), which sets out a five-year plan on how government and the community can work in partnership to improve the health and wellbeing of Guernsey and Alderney's workforce. This initiative supports the broader objectives of the States of Deliberation to strengthen the Bailiwick's economic competitiveness by increasing workforce participation, and to plan for sustainable health and care services by improving health outcomes.
- 5.2. The Strategy aims to foster a culture that promotes and maintains good health and wellbeing in the workplace and maximise work opportunities for everyone by transforming the way we approach work rehabilitation. It recognises that for most people, work is good for their physical and mental

¹⁹

[The Work & Wellbeing Strategy 2025-2030.](#)

health. Many Islanders with a health condition or disability want to be in work, and, with the right support, they can.

- 5.3. The Strategy incorporates the pre-existing Supporting Occupational Health & Wellbeing (SOHWELL) Programme (phases one and two), which was based on the principle that, in many cases, it is better for a person's long-term health and wellbeing to be in work. Extended absences from work reduce the likelihood of returning to work and often result in more complex, longer-term challenges that become increasingly difficult and costly to address over time.
- 5.4. A key focus of the Strategy is on prevention and early intervention, ensuring Islanders can stay in work or return to work wherever possible. By building strong partnerships across government, employers, healthcare professionals and the wider community, the Strategy supports a collaborative approach to enable and incentivise participation in the workforce.
- 5.5. The Strategy's main objectives are:
 - to enhance preventative and proactive support for people in work to reduce sickness absence;
 - to support people who have lost employment due to a health condition to become work-ready at the appropriate stage in their recovery; and
 - to improve return to work support through Social Security, enabling people to return to work and reducing the number of sickness benefit claims becoming long-term.
- 5.6. During the next political term, the Committee will be progressing phase three of the Strategy. This phase is structured around the following core pillars:
 1. Community awareness – focussing on engagement with key stakeholders and the wider community to increase understanding of the relationship between health and work. Practical, accessible resources will be developed to help promote workplace wellbeing and support healthier working environments.
 2. Prevention and early intervention – recognising that timely action leads to better outcomes, this pillar concentrates on identifying issues and providing support at an early stage. It includes exploring a range of primary prevention programmes and piloting early intervention initiatives that can improve individual health outcomes and increase workforce participation more effectively than following a treatment-based model.
 3. Effective services – focussing on enhancing occupational health and wellbeing services to meet future needs. The strategy will guide the

development and delivery of effective, integrated services that support workforce participation and help Islanders to lead healthier, more sustainable working lives.

- 5.7. The Committee anticipates publishing a report next year following the first full year of implementation, to evaluate progress and assess the Strategy's early impact using collected data.

6. Expenditure financed by the Long-term Care Insurance Fund

- 6.1. The Supported Living and Ageing Well Strategy ('SLAWS'), which was agreed by the Assembly in 2016,²⁰ sets out a number of recommendations in relation to the provision and funding of long-term care and support services provided to adults in Guernsey and Alderney. The intention set out in the strategy was for an adaptable and continuously improving care and support system that would be fair, person-centred, enabling and sustainable.
- 6.2. The Long-term Care Insurance Scheme ('the Scheme') was introduced in 2003 to insure residents in Guernsey and Alderney against the risk that they would face significant personal financial costs if they needed bed-based long-term care, and to encourage investment in the private care home market to meet growing demand. The Scheme is funded through social security contributions which are invested in the Long-term Care Insurance Fund.
- 6.3. Given demographic changes, the number of older Islanders who may require care is increasing in the context of a reducing working-age population, rising care costs and the States' wider fiscal challenges. It is therefore recognised that a new model for delivery and funding of community long-term care is needed.
- 6.4. In 2020, as part of taking SLAWS forward, the Assembly agreed in principle to extend the Scheme to include benefit for homecare and to introduce a new rate of benefit for complex care. The Assembly agreed in 2021 to increase the rates of contributions to the Long-term Care Insurance Fund from employees, self-employed persons and non-employed persons by 0.4% over a four-year period (i.e. an increase of 0.1% per year for four years) to place the Scheme, in its current scope, on a more sustainable financial footing. The fourth and final increase was applied in 2025. However, this did not cover the introduction of homecare benefit or a new complex care rate. Work to develop plans for homecare and a new complex care benefit rate is still required due to delays in the development of a new model of community long-term care, as set out overleaf in paragraphs 6.5 and 6.6.

²⁰

[The Supported Living and Ageing Well Strategy \(Billet d'État III of 2016, Volume II, Article 14\).](#)

- 6.5. Development of a new model of community long-term care was prioritised under the Government Work Plan in 2022. A cross-Committee project to advance the work was established later that year involving the Policy & Resources Committee, the Committee *for* Health & Social Care and the Committee *for* Employment & Social Security. 17 different workstreams were identified to be progressed; these included upskilling islanders to address the care worker shortage, legal frameworks to protect consumers, and developing draft proposals for a new model of long-term care. A report outlining the workstream’s key findings was published in November 2024.²¹
- 6.6. Following changes in the membership of the Policy & Resources Committee in late 2023, and given the financial implications of any new proposed model of community long-term care, it was agreed by a majority of members of the three Committees (noting that the context has now changed) to consider the new long-term care model recommendations holistically alongside the expected tax review early in the next political term.
- 6.7. Recognising the pressing need to stabilise current provision and incentivise growth in the private care home market to meet increasing demand, the Committee decided to propose some changes to the Scheme with a view to partially addressing some of the identified issues. In February 2025, the States considered a Policy Letter from the Committee entitled ‘The Need to Stabilise the Private Care Home Market and Incentivise Growth to Meet Demand’²² (‘the 2025 Policy Letter’). This Policy Letter set out, among other things, the importance of ensuring that the Scheme’s benefit rates accurately reflect the ‘true costs’ of delivering long-term care, particularly given the importance of maintaining the robustness of the islands’ private care sector, as well as options for improving the financial sustainability of the Long-term Care Insurance Fund.
- 6.8. Following debate of the 2025 Policy Letter, the States agreed, among other things:
- to gradually increase the rate of the co-payment²³ made by recipients of bed-based long-term care to £514.00 per week (2025 terms) over a five-year period, beginning in July 2025, in order to fully cover care home residents’ living and accommodation expenses, as indicated by the

²¹ [Findings Report: Working toward a new model for community long-term care.](#)

²² The Need to Stabilise the Private Care Home Market and Incentivise Growth to Meet Demand ([Billet d’État V of 2025, Article III](#)).

²³ The co-payment relates to the accommodation and living costs of receiving bed-based care and is payable by the person receiving care.

LaingBuisson analysis,²⁴ conditional on States approval of the rates to apply from January and July each year;

- to increase, with effect from 7th July 2025, the sum of the co-payment and the rates of care benefit (i.e. the standard rates) to the mid-point of the LaingBuisson analysis, conditional on States approval of the rates to apply from January and July each year (the table and graph at Appendix 2 illustrate the transitional rates of the co-payment and care benefit in 2025 terms);
- a guideline policy of Guernsey RPIX plus 1% for future uprating of care benefit and the co-payment, under the Long-term Care Insurance Scheme, with effect from 5th January 2026; and
- to make it a condition of entitlement to long-term care benefit (but not respite care benefit) that the person has paid, after making their claim for benefit, and subject to meeting the other eligibility criteria at that time, a 'user care cost contribution' of up to £10,000 of their standard care costs (i.e. excluding the co-payment and any other additional fees charged by the care recipient's care home), unless exempt from this requirement, as determined through a financial assessment.

- 6.9. The co-payment was increased from £342.02 per week to £361.00 per week, with effect from 7th July 2025, as the first step in the agreed five-year plan set out in the first bullet point above. Long-term care benefit and respite care benefit rates were also increased significantly, with effect from 7th July 2025, to deliver the policy set out in the second bullet point above.
- 6.10. In line with the policy set out in the third bullet point, the Committee is proposing that the sum of the rates of long-term care benefit and the co-payment be increased by 4.7% (this being the rate of RPIX as at 30th June 2025, plus 1%) with effect from 5th January 2026.
- 6.11. Further, the Committee is proposing that the second step in the phased increase in the rate of the co-payment be implemented with effect from 5th January 2026. The rate to apply from 5th January 2026 set out in Table 10 overleaf is the rate approved by the States in February 2025, increased by 4.7% (in line with the guideline uprating policy). It is further proposed that the third step be taken with effect from 6th July 2026. The July 2026 increase does not include a further inflationary increase as inflationary increases are only to be applied in January of each year.

²⁴ An industry standard toolkit for establishing the true costs of residential care constructed by LaingBuisson, an independent provider of healthcare market data ([LaingBuisson Care Cost Benchmark Toolkit – 12th Edition](#)).

- 6.12. The rates of long-term care benefit need to be decreased, with effect from 6th July 2026, in line with the increase to be applied to the co-payment. This means that the total 'standard rate' for a bed will not change in July 2026, but the proportion of the rate funded by the individual in receipt of care will slightly increase. This is in line with the States approved policy to move towards the position where recipients of bed-based long-term care will fully fund their accommodation and living expenses by the end of the five-year phasing period in January 2030.
- 6.13. The proposed rates of the co-payment and long-term care benefit, with effect from 5th January 2026 and 6th July 2026, are set out in Tables 10 and 11 below.

Table 10 – Current and proposed weekly rate of the co-payment (personal contribution)

	From 07/07/25 (current)	From 05/01/2026 (proposed)	From 06/07/2026 (proposed)
Co-payment	£361.00	£396.76	£414.61

Table 11 – Current and proposed weekly rates of long-term care benefit

	From 07/07/2025 (current)	From 05/01/2026 (proposed)	From 06/07/2026 (proposed)
Residential care benefit	£818.00	£837.62	£819.77
Residential care – dementia (elderly mentally infirm)	£976.00	£1,003.03	£985.18
Nursing care benefit	£1,332.00	£1,375.71	£1,357.86

- 6.14. Individuals in receipt of respite care benefit are not required to pay the co-payment. This reflects that they must still meet their usual living costs at home, even while they are in respite care. Therefore, the rates of respite care benefit are the sum of care benefit and the co-payment. Although it is proposed that the rate of the co-payment be moderately increased and the rate of care benefit be correspondingly reduced in July of each year throughout the five-year phasing period (as explained in paragraphs 6.11 to 6.12 of this Policy Letter), the sum of the two will remain the same all year, meaning that the rates of respite care benefit will not increase in July 2026.
- 6.15. The proposed rates of respite care benefit from 5th January 2026 are set out in Table 12 overleaf.

Table 12 – Current and proposed weekly rates of respite care benefit

	From 07/07/2025 (current)	From 05/01/2026 (proposed)
Residential care respite benefit	£1,179.00	£1,234.38
Residential care - dementia respite benefit	£1,337.00	£1,399.79
Nursing care respite benefit	£1,693.00	£1,772.47

- 6.16. Table 13 below sets out the impact of the proposed benefit rates on projected expenditure from the Long-term Care Insurance Fund for 2026, along with the 2025 forecast at the time of writing, compared with the actual expenditure figures for 2022 to 2024.

Table 13 – Summary of expenditure from the Long-term Care Insurance Fund

	2022 Actual £m	2023 Actual £m	2024 Actual £m	2025 Forecast £m	2026 Budget £m
Residential care	11.1	12.5	13.8	16.2	18.2
Nursing care	11.0	11.1	11.8	13.2	14.5
	22.1	23.6	25.6	29.4	32.7
Administration	0.3	0.3	0.3	0.4	0.5
	22.4	23.9	25.9	29.8	33.2

- 6.17. Following a successful amendment²⁵ proposed by Deputy Brouard, the States also agreed to amend one of the conditions of entitlement to long-term care benefit and respite care benefit relating to residency in Guernsey or Alderney from five years' continuous residency at any time to 20 years' aggregate residency as an adult since 1st January 2003, when contributions were first payable to the Long-term Care Insurance Fund, subject to:
- a) periods of residency as a child being taken into account for those claiming benefit under age 38,
 - b) periods of residency of less than one year not being taken into account in calculating the aggregate period of residency, and
 - c) the transitional arrangements set out in paragraphs 6.12 to 6.18 of the 2025 Policy Letter.
- 6.18. Following a successful amendment²⁶ proposed by Deputy Kazantseva-Miller, the States also directed that, as part of the next stage of developing a longer-term sustainable model for SLAWS, a contributions-based eligibility model

²⁵ [P.2024/114 Amendment 1.](#)

²⁶ [P.2024/114 Amendment 3.](#)

should be developed as part of the options appraisal and that such an option should be presented in any future policy letters together with a cost and benefit analysis and mitigation options for any secondary effects and their consequences.

- 6.19. Work relating to the implementation of the user care cost contribution and amended residency requirements (including the agreed transitional arrangements) is underway. The 2025 Policy Letter stated that the user care cost contribution would not be implemented before January 2027 at the earliest.

PART IV: FINANCIAL POSITION

7. Financial position of the Guernsey Insurance Fund

- 7.1. The recent financial performance of the Guernsey Insurance Fund is shown in Table 14 overleaf. It is estimated that the operating deficit, before investment returns, will be £33.2m in 2026 (2025 forecast: £34.2m deficit). The Fund has now been in operating deficit, before investment returns are taken into account, since 2009.
- 7.2. The operating deficit arises when expenditure on benefits and administration exceeds contribution income. This shortfall is met by drawing down the Fund's reserves and, although the drawdown has been planned, it results in the number of years' expenditure cover of the Fund reducing. It also reduces the extent to which investment income can contribute to the financing of the scheme.
- 7.3. Transfers to the General Revenue Reserve relate to expenditure on an intangible asset for information technology in development. In line with the States accounting policies, costs of acquiring or developing intangible assets are fully expensed in the year in which they are incurred, and reserve balances for the Guernsey Insurance Fund have been restated to reflect this.

Table 14 – Financial performance of the Guernsey Insurance Fund²⁷

	2022 Actual £m	2023 Actual £m	2024 Actual £m	2025 Forecast £m	2026 Budget £m
Income	144.6	159.2	172.2	176.2	185.9
Expenditure	(168.9)	(182.4)	(199.3)	(210.4)	(219.1)
Operating deficit	(24.3)	(23.2)	(27.1)	(34.2)	(33.2)
Investment returns	2.0	45.0	55.1	12.2	42.1
Net surplus/(deficit) for the year	(22.3)	21.8	28.0	(22.0)	8.9
Appropriations to General Revenue Reserve	(1.6)	(1.8)	(0.9)	(0.1)	(0.0)
Net assets at 1st January	740.7	716.8	736.8	763.9	741.8
Net assets at 31st December	716.8	736.8	763.9	741.8	750.7
Expenditure cover in years	4.2	4.0	3.8	3.5	3.4

8. Financial position of the Long-term Care Insurance Fund

- 8.1. The recent financial performance of the Long-term Care Insurance Fund is shown in Table 15 below. It is estimated that in 2026 there will be an operating surplus, before investment returns, of £9.5m (2025 forecast: £11.3m surplus).

Table 15 – Financial performance of the Long-term Care Insurance Fund

	2022 Actual £m	2023 Actual £m	2024 Actual £m	2025 Forecast £m	2026 Budget £m
Income	32.6	37.1	41.0	41.1	42.6
Expenditure	(22.4)	(23.9)	(25.9)	(29.8)	(33.1)
Operating surplus	10.2	13.2	15.1	11.3	9.5
Investment returns	0.6	8.6	12.0	3.1	10.4
Net surplus/(deficit) for the year	10.8	21.8	27.1	14.4	19.9
Net assets at 1st January	118.4	129.2	151.0	178.1	192.5
Net assets at 31st December	129.2	151.0	178.1	192.5	212.4
Expenditure cover in years	5.8	6.3	6.9	6.5	6.4

²⁷

The figure for 2022 has been restated following the adoption of IPSAS accounting standards.

9. Investment performance

- 9.1. The States' Investment Board Sub-Committee of the Policy & Resources Committee has, since 15th July 2021, been responsible for the management of investments attributable to the Guernsey Insurance Fund and the Long-term Care Insurance Fund. Implementation and day to day management and administration is undertaken by the Treasury Management Team.
- 9.2. An ambitious return target of UK CPI +5% on a 10+ year forward view has been set by the States Investment Board in conjunction with advice from its investment consultant. For shorter terms, the portfolio is measured against several more appropriate benchmarks which attempt to measure both the success of the strategic asset allocation and the performance of the investment managers selected. The short- to medium-term benchmark most relevant and referenced most frequently is the Policy Benchmark, which is a composite of global equity, bond and alternative indexes. This benchmark measures whether the investment managers are in aggregate achieving returns in excess of the overall markets, which represent the opportunity set for investment.
- 9.3. Performance for the calendar year 2024 was +8.0%, which exceeded the target return of 7.5% but lagged behind the Policy Benchmark which returned +10.6%. Performance for the period January to June 2025 was -0.3% versus the Policy Benchmark at +1.2%.
- 9.4. The largest single driver of the shortfall against the Policy Benchmark in 2024 was underperformance from legacy private investments and from the Guernsey Investment Fund. These legacy private investments have been in the portfolio for many years and their nature is such that they are illiquid and cannot be readily sold but will steadily fall away in the coming years.
- 9.5. Performance for the trailing 10-year period to June 2025 was +4.6% p.a. compared with the long run target return of +8.5% over the same period. It should be noted that the UK CPI +5% long-term benchmark was only introduced at the beginning of 2023.

PART V: RULES OF PROCEDURE

10. Compliance with Rule 4 of the Rules of Procedure

- 10.1. Rule 4 of the Rules of Procedure of the States of Deliberation and their Committees sets out the information which must be included in, or appended to, propositions laid before the States.
- 10.2. In accordance with Rule 4(1)(a), it is confirmed that Proposition 1, in respect of increasing contribution rates to the Guernsey Insurance Fund, aligns with the desired outcome to ‘maintain States’ finances’ under the ‘maintain public service resilience, security and governance’ strategic portfolio of the Government Work Plan 2023-25.²⁸
- 10.3. In accordance with Rule 4(1)(b), it is confirmed that the Committee has engaged with the Policy & Resources Committee throughout the preparation of this Policy Letter. The Policy & Resources Committee has advised that it is supportive of the Committee’s proposals.
- 10.4. In accordance with Rule 4(1)(c), the Propositions have been submitted to His Majesty’s Procureur for advice on any legal or constitutional implications.
- 10.5. In accordance with Rule 4(1)(d), estimates of the financial implications to the States of carrying the proposals in this Policy Letter into effect are set out in Tables 9 and 13 of this Policy Letter.
- 10.6. In this Policy Letter, the Committee has set out its proposals for benefit rates and contribution rates and limits for 2026. In accordance with Rule 4(2)(a), it is confirmed that the propositions accord with the Committee’s purpose:

“To foster a compassionate, cohesive and aspirational society in which responsibility is encouraged and individuals and families are supported through schemes of social protection relating to pensions, other contributory and non-contributory benefits, social housing, employment, re-employment and labour market legislation.”
- 10.7. In accordance with Rule 4(2)(b), it is confirmed that the propositions have the unanimous support of the Committee.

²⁸

The Government Work Plan 2023-25: The Mid Term Reset ([Billet D’État XI of 2023, Article I](#)).

Yours faithfully

T L Bury
President

J M Ozanne
Vice-President

G M Collins
D F Dorrity
T M Rylatt

Appendix 1

Current and anticipated future contribution rates for 2025 to 2031

	2025	2026	2027	2028	2029	2030	2031
Class 1	14.4%	14.6%	14.8%	15.0%	15.2%	15.4%	15.6%
Employer	7.0%	7.1%	7.2%	7.3%	7.4%	7.5%	7.6%
Employee	7.4%	7.5%	7.6%	7.7%	7.8%	7.9%	8.0%
Class 2							
Self-employed	12.2%	12.4%	12.6%	12.8%	13.0%	13.2%	13.4%
Class 3: Non-employed							
Under pension age	11.6%	11.8%	12.0%	12.2%	12.4%	12.6%	12.8%
Over pension age	3.8%	3.8%	3.8%	3.8%	3.8%	3.8%	3.8%

Appendix 2

Transitional co-payment and care benefit rates (in 2025 terms)

Weekly rates (£)	Co-payment (£)	Long-term care benefit rate (£)			Total standard rate / respite care benefit rate (£)		
		Residential	Residential EMI	Nursing	Residential	Residential EMI	Nursing
Actual Jan 2023	306.46	570.29	745.43	1,028.93	876.75	1,051.89	1,335.39
Actual Jan 2024	327.32	609.07	796.11	1,098.93	936.39	1,123.43	1,426.25
Actual Jan 2025 ²⁹	342.02	636.51	831.95	1,148.35	978.53	1,173.97	1,490.37
07/07/25 to 04/01/26	361.00	818.00	976.00	1,332.00	1,179.00	1,337.00	1,693.00
05/01/26 to 05/07/26	379.00	800.00	958.00	1,314.00	1,179.00	1,337.00	1,693.00
06/07/26 to 03/01/27	396.00	783.00	941.00	1,297.00	1,179.00	1,337.00	1,693.00
04/01/27 to 04/07/27	413.00	766.00	924.00	1,280.00	1,179.00	1,337.00	1,693.00
05/07/27 to 02/01/28	430.00	749.00	907.00	1,263.00	1,179.00	1,337.00	1,693.00
03/01/28 to 02/07/28	447.00	732.00	890.00	1,246.00	1,179.00	1,337.00	1,693.00
03/07/28 to 31/12/28	464.00	715.00	873.00	1,229.00	1,179.00	1,337.00	1,693.00
01/01/29 to 01/07/29	480.00	699.00	857.00	1,213.00	1,179.00	1,337.00	1,693.00
02/07/29 to 06/01/30	497.00	682.00	840.00	1,196.00	1,179.00	1,337.00	1,693.00
07/01/30...	514.00	665.00	823.00	1,179.00	1,179.00	1,337.00	1,693.00

²⁹ Contributory Benefit and Contribution Rates for 2025 ([Billet d'État XVIII of 2024, Article IV](#)).

Transition to the higher co-payment for residential care (2025 terms)

