

THE STATES OF DELIBERATION
of the
ISLAND OF GUERNSEY

19th February, 2025

Proposition No. P.2025/5

Policy & Resources Committee

Independent States' Members' Pay Review Panel – Final Report 2024

AMENDMENT

Proposed by: Deputy P Roffey
Seconded by: Deputy H L de Sausmarez

To delete proposition 16 and substitute therefor:

“16. To agree that the 15% pay in lieu of pensions should be continued, with 10% being consolidated into general remuneration and 5% paid into a Your Island Pension account, and to agree that Members may choose to opt out of such arrangement; in which case they shall receive 13% pay in lieu of pensions included as part of their remuneration which they may use to contribute to a personal pension scheme.”

Rule 4(1) Information

- a) The propositions contribute to the States' objective to encourage more islanders to provide better for their retirement.
- b) In preparing the propositions, the Policy & Resources Committee has been consulted.
- c) The propositions have been submitted to His Majesty's Procureur for advice on any legal or constitutional implications.
- d) The financial impact of the amended proposition 16, except for a very small saving in respect of the 2% reduction in total remuneration for those who choose to opt out of the default pension arrangement.
- e) Advice from the Treasury department Officers and the States' Greffier has been sought in drafting this amendment.

Explanatory note

The 15% uplift in pay, referred to in proposition 16, was introduced when the States Members' defined benefit pension scheme was closed. It was intended to allow members to make their own pension arrangements instead, but in practise it is unknown how many members actually use this additional pay for its intended purpose.

More recently the States has acted to encourage far greater pension saving amongst the island's employed population by insisting that their employers enrol them in a qualifying pension scheme under the secondary pension legislation, from which those employees can opt out if they wish.

It therefore seems very odd for the States not to be leading by example in this area.

Anecdotally one reason given by States Members hitherto for not paying into pension schemes/arrangements was the cost of fees for bespoke schemes for self-employed islanders, particular if their states members' remuneration was their only income.

That issue has now been resolved by the establishment of the YIP as a default scheme available to employers in relation to the secondary pension requirements. The YIP is low cost, simple to use and fully open to self-employed islanders such as deputies.

While States Members are not strictly employees this proposal parallels what the government has imposed on most of the working population. That they shall be enrolled in a compliant scheme but can actively elect to opt out if they want to. If they chose to remain in the scheme, they will have 5% of their pay automatically paid into their YIP account, but could of course make additional contributions.

If they choose to opt out they will still receive a generous 13% uplift to be used for alternative pension arrangements if they so choose. In those circumstances their total remuneration would effectively be reduced by 2%. Not only will this incentivise participation but again parallels the situation for employees who facing losing their employers' contribution if they opt out of that employer's chosen pension scheme.

States members would be free to go down one of four routes.

1. Stay in the YIP but only save the 5% paid by the States towards their pension.
2. Stay in the YIP and make further voluntary contributions.
3. Opt-out of the YIP and use the cash towards alternative pension provision.
4. Opt-out of the YIP and make no pension provision.