Mrs Jane Mooney
Public Sector Pensions Authority
3rd Floor, Prospect House
27-29 Prospect Hill
Douglas, ISLE OF MAN
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Date:

Dear Mrs Mooney,

I am submitting this response in relation to the Public Sector Pensions Authority (PSPA) consultation on the Public Sector Pensions (Cost Sharing) Scheme 2019.

I am in favour of the principle of cost sharing if the result of this is that it makes the pension scheme sustainable, stable and fair. Unfortunately I do not believe the proposal meets these principles and I fear that it is the first step in making GUS unsustainable and taking away my access to a high quality pension scheme. Members previously agreed changes to public sector pension schemes in good faith believing this would put them on a sustainable long-term footing. These cost sharing proposals sadly indicate that the Government is backing away from this commitment.

The proposals introduce unnecessary instability into the pension scheme. The proposal is that members bear 75 per cent of any cost increase, with employers bearing 25 per cent. Firstly, this does not cap the cost of the scheme as there is potentially an open-ended increase for employers. Secondly, the proposal for a 0.5 per cent buffer does not provide sufficient protection against unnecessary change to the design of the scheme.

A buffer of this level is too low and is likely to lead to scheme changes at each cost sharing valuation which means that the scheme is inherently unstable. I believe this proposal is not workable in practice and will ultimately put the future of GUS and other public sector schemes in doubt.

A preferable course of action is the earlier proposal for a 2 per cent buffer. This option caps the cost of the scheme to taxpayers which ensures that the scheme is sustainable. It would also minimise the number of times that changes have to be made to the scheme following a cost sharing valuation.

One of the proposals is regarding the recovery period and how long this should be. A period of 8 years is proposed. I believe that this period is too short and will lead to unnecessary volatility. This could easily lead to a situation where contributions are increased to unaffordable levels for members. Instead, the recovery period should be a minimum of 12 years, and preferably 15 years in line with the UK public sector schemes.

Yours sincerely,