P.2026/69

THE STATES OF DELIBERATION
of the
ISLAND OF GUERNSEY

COMMITTEE *FOR* EMPLOYMENT & SOCIAL SECURITY

CONTRIBUTORY BENEFIT AND CONTRIBUTION RATES FOR 2027

The States are asked to decide:

Whether, after consideration of the Policy Letter entitled 'Contributory Benefit and Contribution Rates for 2027', dated 14th September 2026, they are of the opinion:

1. To set the contributions limits and rates as set out in Tables 4, 5 and 6 of the Policy Letter, from 1st January 2027.

2. To set the standard rates of contributory social insurance benefits as set out in Table 7 of the Policy Letter, from 4th January 2027.

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 12 of the Policy Letter, from 4th January 2027 and 5th July 2027.

4. To set the weekly long-term care benefit at the rates set out in Table 13 of the Policy Letter, from 4th January 2027 and 5th July 2027.

5. To set the weekly respite care benefit at the rates set out in Table 14 of the Policy Letter, from 4th January 2027.

6. To note the Committee's intention to use the power conferred on it under section 24(5) of the Social Insurance (Guernsey) Law, 1978 to reduce, by Regulations, the maximum aggregate period for which a person can receive unemployment benefit from 210 days to 150 days.

7. To amend section 32 of the Social Insurance (Guernsey) Law, 1978 to reduce the "relevant period" for bereavement allowance from 52 weeks to 26 weeks, and to provide that individuals already receiving bereavement allowance when the amendment comes into force will retain entitlement for up to 52 weeks under the existing provisions.

8. 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 2027

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

14th September 2026

Dear Madam

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 2027 by 4.3%, this being the annual rate of 'core' inflation (Guernsey RPIX) for the year ending 30th June 2026.

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 20th 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[1]. These measures included, but were not limited to, increasing the standard rates[2] 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')[3]; 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;[4] 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 of Guernsey RPIX plus 1%.

1.6. In line with the guideline uprating policy, the Committee recommends that the standard rates for beds in residential and nursing homes be increased, with effect from 4th January 2027, by 5.3%, this being the rate of 'core' inflation for the year ending 30th June 2026, plus 1%.

1.7. The Committee also recommends that the rate of the co-payment be increased with effect from 4th January and 5th July 2027 in accordance with the five-year plan agreed by the States to gradually increase the rate of the co-payment to £514.00 per week (2025 terms) by 2030. When the co-payment is increased in July 2027, there will be an equivalent decrease in the rates of care benefit.

1.8. This Policy Letter also provides an update on work to implement a user care cost contribution under the Long-term Care Insurance Scheme, the Work and Wellbeing Strategy and the Committee's work to identify savings opportunities across both contributory and non-contributory benefits.

1.9. Following an initial high-level review of the benefits administered by the Committee and pending further detailed policy work in respect of other

---

1 The Need to Stabilise the Private Care Home Market and Incentive Growth to Meet Demand (Billet d'État V, Article III).

2 The 'standard rate' is the sum of the relevant rate of care benefit plus the rate of the co-payment payable by the individual in receipt of care.

3 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).

4 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.

potential savings opportunities, the Committee has identified two policy changes which will generate savings without, in its view, significantly adversely affecting service users. Firstly, the Committee intends to use the power conferred on it under section 24(5) of the Social Insurance (Guernsey) Law, 1978 to reduce, by Regulations, the maximum aggregate period for which a person can receive unemployment benefit from 210 days to 150 days. Secondly, the Committee proposes that the maximum duration of bereavement allowance be reduced from 52 to 26 weeks. It is anticipated that these two policy changes will result in recurring annual savings to the Guernsey Insurance Fund of approximately £350,000.

PART I: UPRATING POLICY

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

2.1. The guideline policy for uprating 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 by whichever is the higher of:

- Guernsey RPIX for the year ending 30th June; or
- Guernsey RPIX for the year ending 30th June plus one third of the difference between that Guernsey RPIX figure and the increase in nominal median earnings for the year ending 31st December of the previous year (known as 'the one-third uprating policy').

2.3. The look back element of the policy prevents people receiving an extra earnings-related increase if they have already benefited from inflation being higher than the one-third formula in earlier years. For example, when the rate of Guernsey RPIX is applied to increase the rate of benefits funded from the Guernsey Insurance Fund, if it exceeds the one-third policy by, say, 0.1%, that amount will be deducted the next time the one-third uprating policy is employed. However, if the deduction results in an increase below Guernsey RPIX in a future year, Guernsey RPIX is applied, and any outstanding deductions are carried forward.

2.4. The double lock and look back policy requires median earnings data. Due to ongoing difficulties outside of the Committee's control which relate to the Rolling Electronic Census, data relating to median earnings as at 31st December 2025 is not yet available. The latest available change in nominal median earnings figure is for the year ending 30th June 2024, which was 5.3%. It is not known when more up to date median earnings data will be published.

2.5. In the absence of up-to-date median earnings data, the Committee recommends that benefits funded from the Guernsey Insurance Fund be increased in 2027 by 4.3% (i.e. the rate of core inflation (RPIX) for the year ending 30th June 2026). The Policy & Resources Committee has confirmed its support for this proposal.

2.6. In preparing its proposals for 2027 benefit rates, the Committee has given some consideration to the use of Household Cost Indices[5] ('HCIs') as the measure by which its uprating policies are calculated. HCIs 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. While some Members of the Committee support the principle of using HCIs as part of the uprating process, it was decided that the financial benefit did not justify the additional expenditure, compared to using RPIX, and that, ultimately, using HCIs as part of the 2027 uprating process was deemed to have minimal impact for benefit recipients.

PART II: INCOME

3. Contributions

Proposed contribution rates for 2027

3.1. In October 2021, following consideration of a Policy Letter entitled 'Contributory Benefits and Contribution Rates for 2022'[6], 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. The first increase to contribution rates was applied in 2022, this being the first increase since 2017. Increases have been applied annually thereafter.

---

5 More information regarding HCIs is available here: https://www.gov.gg/rpi.

6 Contributory Benefits and Contribution Rates for 2022 (Billet d'État XX of 2021, Article XI).

3.2. In November 2024[7], when considering the Annual Budget for 2025, the States agreed to the following proposal:

> *"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…"*

3.3. More recently, the Policy & Resources Committee put forward a Policy Letter entitled 'Tax Reform 2026'[8], dated 8 June 2026 ('the 2026 Tax Reform Policy Letter'). The States debate on this matter commenced on 15th July 2026, but was not concluded. Debate will resume at the States meeting which is due to commence on 30th September 2026.

3.4. Broadly, the 2026 Tax Reform Policy Letter proposed savings and public expenditure reform, including changes to: personal income tax, social security contributions, corporate tax, and the introduction of a transport tax and a Goods & Services Tax ('GST') set at 3% from 2028. Pending a decision by the States and the implementation of a new tax reform package, the Committee recommends that the sixth step of the ten-year plan in respect of contributions to the Guernsey Insurance Fund be taken. The Policy & Resources Committee has confirmed its support for proceeding with the previously agreed increase in contribution rates as a reasonable transition towards any future restructure of the contributions system.

3.5. 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 2027.

3.6. The effect of this, from 1st January 2027, will be to increase the percentage contribution rates for employers from 7.1% to 7.2%, for employees from 7.5% to 7.6% (i.e. a combined Class 1 contribution rate of 14.8%), for self-employed persons from 12.4% to 12.6% and for non-employed persons under pension age from 11.8% to 12.0%. 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 potential

---

7 The States of Guernsey Annual Budget for 2026 (Billet d'État XIX of 2024, Article I).

8 Tax Reform 2026 (Billet d'État XII of 2026, Article IX).

future[9] changes to contribution rates under the ten-year plan. Subject to States approval, the ten-year plan will be replaced in due course by the contribution changes set out in the 2026 Tax Reform Policy Letter.

3.7. The percentage contribution rates proposed for 2027 are set out in Tables 1, 2, and 3, compared to the rates for 2026. 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.

3.8. The estimated cost to General Revenue of increasing the employers' contribution rate by 0.1% in 2027 is approximately £350,000 in respect of public sector employees. However, it is noted that the proposed increases in contribution rates will raise additional revenues of approximately £4.1m per annum.

Table 1 – Current contribution rates, proposed contribution rates for 2027, and the proportions of income split between the funds for employed persons (Class 1)

Employed persons (Class 1)	**2026 (current)**	**2027 (proposed)**
Employer	**7.10%**	**7.20%**
Guernsey Insurance Fund	7.10%	7.20%
Guernsey Health Service Allocation	-	-
Long-term Care Insurance Fund	-	-
Employee	**7.50%**	**7.60%**
Guernsey Insurance Fund	3.45%	3.55%
Guernsey Health Service Allocation	1.85%	1.85%
Long-term Care Insurance Fund	2.20%	2.20%
Combined	**14.60%**	**14.80%**
Guernsey Insurance Fund	10.55%	10.75%
Guernsey Health Service Allocation	1.85%	1.85%
Long-term Care Insurance Fund	2.20%	2.20%

[9] Future changes are subject to States' approval on an annual basis.

Table 2 – Current contribution rates, proposed contribution rates for 2027, and the proportions of income split between the funds for self-employed persons (Class 2)

Self-employed persons (Class 2)	2026 (current)	2027 (proposed)
Totals	**12.40%**	**12.60%**
Guernsey Insurance Fund	8.35%	8.55%
Guernsey Health Service Allocation	1.85%	1.85%
Long-term Care Insurance Fund	2.20%	2.20%

Table 3 – Current contribution rates, proposed contribution rates for 2027, and the proportions of income split between the funds for non-employed persons (Class 3)

Non-employed persons (Class 3)	2026 (current)	2027 (proposed)
Under pension age	**11.80%**	**12.00%**
Guernsey Insurance Fund	7.60%	7.80%
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 2027.

3.9. 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 approximately[10] 4.3%, in line with Guernsey RPIX as at 30 June 2026.

3.10. Tables 4, 5 and 6 show the effects of the proposed increase in contribution limits and rates for all contributor classes, compared with current (2026) limits and rates.

[10] The proposed increases may not be precisely 4.3% due to rounding and the need for certain limits to be divisible by 52 (weeks) and 12 (months).

Table 4 – Proposed Class 1 contribution limits and rates for 2027 compared to 2026

Class 1 – Employed persons	2026 (current)	2027 (proposed)
Employer	7.1%	7.2%
Employee	7.5%	7.6%
Upper Earnings Limit:		
Weekly	£3,780.00	£3,942.00
Monthly	£16,380.00	£17,082.00
Lower Earnings Limit:		
Weekly	£192.00	£201.00
Monthly	£832.00	£871.00
Weekly rate (employee):		
Maximum	£283.50	£299.59
Minimum	£14.40	£15.28
Weekly rate (employer):		
Maximum	£268.38	£283.82
Minimum	£13.63	£14.47

Table 5 – Proposed Class 2 contribution limits and rates for 2027 compared to 2026

Class 2 – Self-employed persons	2026 (current)	2027 (proposed)
	12.4%	12.6%
Annual Earnings Limit:		
Upper	£196,560.00	£204,984.00
Lower	£9,984.00	£10,452.00
Weekly rate:		
Maximum	£468.72	£496.69
Minimum	£23.81	£25.33
Overseas contribution (weekly)	£142.86	£149.00

Table 6 – Proposed Class 3 contribution limits and rates for 2027 compared to 2026

Class 3 – Non-employed persons	2026 (current)	2027 (proposed)
Under pension age	11.8%	12.00%
Over pension age	3.8%	3.8%
Annual Income Limit (under and over pension age):		
Upper	£196,560.00	£204,984.00
Lower	£24,960.00	£26,130.00
Allowance[11] (under and over pension age)	£11,122.00	£11,600.00
Weekly rate (under pension age):		
Maximum	£420.80	£446.27
Minimum	£31.40	£33.53
Weekly rate (over pension age):		
Maximum	£135.51	£141.32
Minimum	£10.11	£10.62
Overseas voluntary contribution[12] (weekly)	£129.22	£134.78
Voluntary contribution[13] (weekly)	£31.40	£33.53
Special rate non-employed (weekly)	£31.40	£33.53

PART III: EXPENDITURE – CONTRIBUTORY BENEFITS

4. Expenditure financed by the Guernsey Insurance Fund

4.1. As set out in paragraph 2.5, the Committee is recommending that the rates of the States pension and other social insurance benefits be increased by 4.3%, in line with Guernsey RPIX as at 30th June 2026.

4.2. The proposed new weekly rates of benefits and grants, to be effective from 4th January 2027, are set out in Table 7. 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.

---

11 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.

12 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.

13 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 7 – Proposed rates of social insurance benefits for 2027 compared to 2026 rates

Weekly paid benefits	**2026 (current)**	**2027 (proposed)**
States Pension		
Insured person	**£292.09**	**£304.65**
Increase for dependant wife[14]	**£146.32**	**£152.61**
Total	**£438.41**	**£457.26**
Survivor's Benefits		
Widowed Parent's Allowance	**£307.17**	**£320.38**
Bereavement Allowance[15]	**£264.14**	**£275.50**
Maternal Health Allowance, Newborn Care Allowance, and Parental Allowance	**£292.67**	**£305.27**
Unemployment Benefit, Sickness Benefit, and Industrial Injury Benefit	**£215.04**	**£224.28**
Incapacity Benefit	**£258.30**	**£269.43**
Industrial Disablement Benefit (100%)[16]	**£235.39**	**£245.51**
One off grants:		
Maternity Grant and Adoption Grant	**£538.00**	**£561.00**
Death Grant	**£841.00**	**£877.00**
Bereavement Payment	**£2,654.00**	**£2,768.00**

4.3. If the Committee's proposals for benefit rates are approved, the 2027 estimated benefit expenditure from the Guernsey Insurance Fund will be £231.2m (2026 forecast: £216.4m), as shown in Table 8.

4.4. This estimate includes:

- the proposed 4.3% inflationary increase in the general rates of benefits (2026: +4.2%),
- 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 2027 of £5.8m (2026 forecast: £5.8m).

4.5. Benefits paid from the Guernsey Insurance Fund are statutory entitlements based, almost wholly, on the number of contributions paid. States pension expenditure accounts for over 86% of the total benefit expenditure from the

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

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

[16] Lower rates are payable based on degree of disability.

Fund. As of 27 June 2026, there were 19,268 people in receipt of a pension from Guernsey (28 June 2025: 19,142).

4.6. Table 8 shows annual benefit and administration expenditure from the Guernsey Insurance Fund for the years 2023 to 2025, the budget forecast for 2026 and projected expenditure for 2027.

Table 8 – Summary of expenditure from the Guernsey Insurance Fund

	2023 Actual £m	**2024 Actual £m**	**2025 Actual £m**	**2026 Forecast £m**	**2027 Budget £m**
Pension	154.2	169.6	177.2	186.6	199.0
Incapacity	11.3	12	13.4	14.8	16.0
Sickness	5.2	5.8	6.3	6.4	6.8
Parental	2.6	2.6	2.8	2.8	3.1
Bereavement	1.9	1.9	2	2.7	2.8
Unemployment	1.1	1.3	1.5	2.0	2.3[17]
Industrial	1	1.1	1	1.1	1.2
Total benefit expenditure	**177.3**	**194.3**	**204.2**	**216.4**	**231.2**
Administration[18]	5.1	5	4.8	5.8	5.8
Total expenditure	**182.4**	**199.3**	**209**	**222.2**	**237.0**

4.7. The year-on-year increase in total benefit expenditure from the Guernsey Insurance Fund, shown in Table 8, reflects both the annual uprating of benefit rates and rising demand.

4.8. As shown in Table 9, between 2022 and 2025, 83% of the increase in total benefit expenditure from the Guernsey Insurance Fund was attributable to States-approved benefit rate increases implemented in line with the approved uprating policy, while the remaining 17% resulted from rising demand.

[17] This figure take account of the estimated annual saving of approximately £100,000 arising from the reduction in the maximum aggregate period for which a person can receive unemployment benefit from 210 days to 150 days.

[18] Note that 'Administration' in 2025 included, in addition to administration costs, the cost of essential maintenance works at Edward T. Wheadon House which were capitalised during 2026.

Table 9 – Drivers of increased benefit expenditure from the Guernsey Insurance Fund from 2022 to 2025

	2023	2024	2025	Three-year period from 2022 to 2025
Percentage uplift applied to previous year's benefit rates	7.0%	6.8%	4.9%	-
Actual percentage increase in total benefit expenditure compared to previous year	8.0%	9.6%	5.1%	-
Percentage of increase in total benefit expenditure attributable to States-approved increases in benefit rates in line with States-approved uprating policy	88%	71%	96%	83%
Percentage of increase in total benefit expenditure attributable to rising demand	12%	29%	4%	17%

5. Work & Wellbeing Strategy update

5.1. The Committee recognises the increasing challenges associated with an ageing workforce, changing workforce demographics and rising expenditure on incapacity-related benefits. Forecast expenditure on sickness, incapacity and incapacity-related income support benefits is expected to exceed £33 million during 2026. Against this backdrop, improving workforce participation and reducing avoidable transitions into long-term benefit dependency remains both a social and economic priority. Early intervention and rehabilitation services are therefore viewed as important components of a sustainable approach that supports individuals while helping to manage longer-term public expenditure pressures.

5.2. The Work & Wellbeing Strategy 2025-2030 provides the strategic framework through which the Committee seeks to improve workforce participation, reduce avoidable sickness absence and ensure that individuals experiencing illness, injury or disability receive timely and appropriate support. The Strategy is founded on the principle that, where appropriate, supporting people to remain in work, or return to work at the earliest suitable opportunity, leads to improved health, wellbeing and economic outcomes. It

also supports wider governmental objectives relating to economic productivity, workforce sustainability and improving long-term health outcomes.

5.3. The Strategy is structured around three strategic pillars. The first pillar, Community Awareness, focuses on increasing understanding of the relationship between health and work through engagement with employers, healthcare professionals, employees and the wider community. The second pillar, Prevention and Early Intervention, recognises that identifying issues and providing support at an early stage is generally more effective than relying solely on treatment after problems have become established. The third pillar, Effective Services - Evolving for Tomorrow, focuses on strengthening occupational health, rehabilitation and work support services to ensure they remain responsive to the future needs of the workforce. These pillars provide the framework through which individual workstreams and pilot initiatives are developed and delivered.

5.4. International evidence and local operational experience indicate that the likelihood of a successful return to work reduces as the duration of absence increases. Consequently, strategic efforts have focused on strengthening support during the early stages of sickness absence and reducing the number of individuals progressing to long-term incapacity-related benefits.

5.5. The Work Support function forms an important part of this approach. Case management activity is targeted towards individuals at risk of prolonged absence, with interventions focused on identifying barriers to work, supporting rehabilitation, facilitating workplace adjustments and developing personalised return-to-work plans.

5.6. Between May 2025 and May 2026, Work Support Case Managers received 1,532 referrals for individuals experiencing barriers to employment as a result of ill-health or disability. As shown in Table 10, 1,375 cases were resolved during this period, of which 936 individuals either returned to work, increased their participation in employment through a phased return, or re-engaged with active job-seeking. While some individuals may have achieved these outcomes without direct intervention from the team, 679 individuals were supported by Work Support Case Managers to return to work or re-engage in job-seeking activities. This represents approximately 49% of all resolved cases[19]. These outcomes demonstrate the important role that targeted case management can have in supporting individuals to remain economically

[19] "Resolved cases" are cases no longer actively managed by Case Managers, either because the individual has returned to work or job-seeking, or because the ongoing support required is longer-term rather than early intervention.

active, improving employment outcomes and reducing the risk of long-term reliance on benefits.

5.7. Operational data demonstrates that these interventions are being delivered during the critical rehabilitation period, which evidence suggests offers the greatest opportunity to influence outcomes and reduce progression into long-term incapacity.

Table 10 – Outcomes of Work Support referrals resolved between 1 May 2025 and 1 May 2026

Outcome category	Number of people	% of resolved cases
Directly supported return to work or jobseeking o Early or phased return o Return to employment o Return to active job-seeking	679	49%
Assumed return to work (medical certificate expired before team intervention)	290	21%
Total positive or assumed positive work-related outcomes	969	70%
Other outcomes		
• Cases requiring longer-term support or intervention	307	23%
• Other i.e. died, retired, left-island	99	7%
Total other outcomes	406	30%
Total resolved cases	**1,375**	**100%**

5.8. The remaining resolved cases referenced in Table 10 reflect individuals whose health condition means that they need longer-term review or intervention and those whose personal circumstances had changed. While these outcomes have not resulted in an immediate return to employment, they reinforce the importance of providing targeted intervention as early as possible, before health conditions become more difficult to address.

5.9. Mental health continues to be a significant factor in work-related absence. Approximately 30% of sickness benefit claims are associated with mental health conditions and anxiety remains one of the most common diagnoses among individuals receiving incapacity-related benefits.

5.10. Given the significant contribution that mental health conditions make to sickness absence and the additional barriers often associated with mental health conditions, the Committee has prioritised improving access to early mental health support. The objective is to intervene before relatively low-level conditions develop into more serious barriers to employment, recognising that timely support can improve individual wellbeing while reducing the likelihood of long-term worklessness.

5.11. Partnership working is central to the successful delivery of the Strategy. Collaborative arrangements have continued with primary care practitioners, employers and third-sector organisations to strengthen occupational health and work rehabilitation pathways. The Committee has also developed closer working relationships with Guernsey Mind, which remains a key partner in supporting the delivery of the Work & Wellbeing Strategy by providing practical early-intervention mental health support to individuals seeking work or experiencing work-related mental health challenges. During 2025, Guernsey Mind ran six drop-in sessions at Edward T Wheadon House for customers engaging with the Work Support service, facilitating access to the supported self-help programme. From these initial drop-in sessions, 16 people engaged with Guernsey Mind's Supported Self-Help Programme, who may otherwise not have engaged at an early stage. Regular, drop-in sessions continue to take place as an ongoing programme of work. In parallel, officers are exploring additional preventative initiatives and low-intensity interventions aimed at supporting individuals experiencing work-related stress and other barriers to sustained employment.

5.12. Officers are supported by an independent Medical Adviser, who is both a practising general practitioner and occupational health specialist. The Adviser provides expert clinical guidance in complex cases, assists officers in understanding the functional impact of medical conditions where appropriate, and helps ensure that decisions are informed by relevant medical evidence. The Adviser also contributes to policy development and supports constructive engagement between the Committee, healthcare professionals and other stakeholders.

5.13. Alongside established initiatives such as Work2Benefit placements, Kickstart placements, volunteering opportunities, work trials and skills training, the Committee is also continuing to explore innovative approaches to supporting labour market participation, particularly among younger people and those facing multiple barriers to employment.

5.14. The Committee is acutely aware of the increased challenges some young people face. In Guernsey, there are at least 200 people aged 17 to 25 claiming an incapacity related or unemployment-related benefit. A breakdown of benefit types claimed is provided in Table 11. This is an important area of

focus as the Committee wants to ensure that young people who face increased barriers entering the workplace get the support they need.

Table 11 – Number of young people claiming an incapacity related or unemployment related benefit (snapshot date 26 June 2026)

	Sickness benefit (payable for up to six months with a relevant contribution record)	**Incapacity benefit** (replaces sickness benefit if person is still unwell after six months and has a relevant contribution record)	**Unemployment benefit** (payable for up to 210 days with a relevant contribution record)	**Income Support -** incapacity or jobseeker claims only (means tested benefit based on household circumstances, income and savings)
Age of claimant at snapshot date	**Number of active claims at snapshot date**			
17	3	0	1	1
18	6	0	4	13
19	9	2	7	30
20	6	3	2	12
21	4	1	6	18
22	5	5	4	16
23	3	5	4	17
24	3	4	2	17
25	3	3	3	23
Total	**42**	**23**	**33**	**147**

5.15. Although some individuals will be claiming a contributory based benefit *and* income support top-up, the data indicates that the majority of young people claiming are receiving means-tested income support rather than contributory social insurance benefits. This reflects the fact that many younger people have not yet built sufficient contribution records to be eligible for a contributory benefit and may also be experiencing multiple and interconnected barriers to employment, including health conditions, educational disengagement, skills deficits and housing or family-related challenges.

5.16. Supporting young people to enter, remain in, or return to employment remains a key priority for the Committee. Evidence consistently demonstrates

that prolonged periods outside education, employment or training at a young age can have lasting consequences for future employment prospects, earnings potential and wellbeing. The Committee is therefore continuing to explore targeted interventions aimed at preventing long-term dependency and improving workplace participation among younger people.

5.17. Overall, the Work & Wellbeing Strategy represents a long-term commitment to creating a healthier, more resilient and economically active workforce. While meaningful change will require sustained collaboration across government, employers, healthcare professionals and the third sector, early evidence indicates that preventative interventions and timely work rehabilitation support can improve individual outcomes and contribute towards reducing long-term dependency on benefits.

6. Savings Opportunities

Review of benefits

6.1. The Committee is undertaking a review of contributory and non-contributory benefits, including rates of payment, eligibility criteria, guideline uprating policies and cost avoidance. The review aims to identify whether changes could be made that would generate savings without significantly adversely affecting service users. This work supports the Government Work Plan 2026-2029[20] objective of strengthening the stability of the Island's public finances under the Island Resilience Area of Focus.

6.2. Given its responsibility to protect vulnerable members of the community, the Committee is carefully considering all potential savings measures before finalising its proposals. To support this work, the Committee established a Savings Working Party under Rule 54(3) of the Rules of Procedure of the States of Deliberation and their Committees in March 2026. The Working Party has undertaken a high-level review of potential savings opportunities; however, it has not been possible to assess all options before the deadline for submitting the Committee's proposals for 2027 benefit and contribution rates.

6.3. The Committee may therefore bring forward additional policy proposals before the submission of its 2028 benefit and contribution rate proposals. The policy changes set out in paragraphs 6.6 to 6.19 represent the first stage of this wider programme of work to identify and deliver savings.

6.4. In addition to these policy proposals, the previous Committee considered options to extend the qualifying period for incapacity benefit or to merge sickness benefit and incapacity benefit into a single benefit. The previous

[20] The Government Work Plan 2026-2029.

Committee agreed not to progress these proposals until a consultation exercise had been undertaken and recommended that its successor consider the options further in light of the consultation findings.

6.5. The Committee has consulted with the Guernsey Disability Alliance and is considering potential changes to incapacity benefit that would support the objectives of the Work and Wellbeing Strategy and align with the Government Work Plan's 'Foundations for our Future' Area of Focus by encouraging greater workforce participation while ensuring appropriate support for those who are unable to work due to illness. The Committee is continuing to consider these options in light of the consultation findings and will bring any resulting policy proposals to the States for consideration, as appropriate.

Maximum duration of unemployment benefit

6.6. Unemployment benefit is a contributory social insurance benefit payable to individuals who are unemployed and available for work for at least four days in any week and who satisfy certain contribution conditions.

6.7. The maximum aggregate period for which a person may receive unemployment benefit is currently 210 days (i.e. 30 weeks). Once this entitlement has been exhausted, they cannot requalify until they have been employed for at least 13 weeks[21] following the last day on which they were entitled to benefit.

6.8. After the 210-day entitlement period has ended, payment of unemployment benefit ceases, although contribution credits continue to be awarded provided the individual continues to meet the statutory eligibility requirements. The Work Support team also continues to support affected jobseekers in seeking and obtaining employment.

6.9. Following States approval in October 2023, section 24 the Social Insurance (Guernsey) Law, 1978 was amended to enable the Committee, by Regulations, to vary the maximum aggregate period for which unemployment benefit is payable, subject to a minimum of 10 weeks and a maximum of 30 weeks.

6.10. As part of its review of benefits, the Committee has considered whether the maximum aggregate period of unemployment benefit remains appropriate. Unemployment statistics for the week ending 3 July 2026 indicate that 322 people, representing approximately 1.0% of the working population, were unemployed. This is a comparatively low level of unemployment, and employers in a number of sectors continue to report recruitment difficulties. The Work Support team regularly advertises a significant number of vacancies. Taken together, this evidence suggests that the local labour market

[21] Earning at least 40 times the Young Person's Minimum Wage Rate.

remains favourable to jobseekers and is characterised by labour shortages rather than a lack of employment opportunities. While some redundancies have occurred recently, overall labour market conditions remain strong. In this context, the current 210-day limit may be longer than necessary.

6.11. Analysis of unemployment benefit claims closed between 2022 and 2026 indicates that most jobseekers return to work before reaching the current limit. Having considered a range of options, the Committee has decided to reduce, by Regulations, the maximum aggregate claim period from 210 days to 150 days. A shorter claim duration may encourage some claimants to return to work sooner than they otherwise would, benefiting the economy while reducing expenditure on unemployment benefit.

6.12. Claim data indicates that this change would affect only a small proportion of jobseekers while continuing to provide a substantial period of financial support. Income support would remain available, subject to means-testing, for jobseekers who are unable to secure employment within 150 days.

6.13. Based on the average daily rate of unemployment benefit payable at 2026 rates, using a year-to-date snapshot of active claims, it is estimated that reducing the maximum aggregate claim period from 210 to 150 days may result in a saving of approximately £100,000. Some of this saving may be offset by increased expenditure on income support for individuals who do not secure employment within 150 days and who qualify for mean-tested financial assistance.

6.14. It is anticipated that this change will come into force in January 2027.

<u>Duration of bereavement allowance</u>

6.15. Bereavement allowance is a weekly contributory social insurance benefit payable to a surviving spouse following the death of their spouse. It is available only to individuals below pension age and is payable for up to 52 weeks. Entitlement is based on the contribution record of the deceased spouse, except where the death resulted from an accident at work, in which case no contribution conditions apply.

6.16. The purpose of bereavement allowance is to provide short-term financial support to help a surviving spouse adjust to the loss of a partner and the transition from a two-person to a single-person household. The benefit was originally established at a time when households were more likely to rely on a single income, typically earned by one spouse. However, changes in society and patterns of employment mean that it is now common for both members of a couple to participate in the workforce and contribute to household income. The Committee has therefore identified an opportunity to reduce expenditure by shortening the maximum payment period from 52 weeks to 26

weeks. In considering this proposal, the Committee has taken the view that the allowance should support the immediate period following bereavement rather than provide longer-term income replacement. A payment period of 26 weeks is considered sufficient to assist with the initial financial adjustment, while individuals experiencing ongoing financial hardship may be eligible for means-tested income support alongside bereavement allowance or after entitlement to the allowance has ended.

6.17. Total expenditure on bereavement allowance in 2025 was approximately £500,000. Reducing the maximum payment period from 52 weeks to 26 weeks is therefore expected to generate savings to the Guernsey Insurance Fund of approximately £250,000 per annum. While some of these savings may be offset by increased expenditure on income support for those who qualify for means-tested assistance, the proposal is nevertheless expected to result in a net reduction in public expenditure.

6.18. The Committee proposes that section 32 of the Social Insurance (Guernsey) Law, 1978 be amended to reduce the "relevant period" for bereavement allowance from 52 weeks to 26 weeks. It is further proposed that individuals already receiving bereavement allowance when the amendment comes into force will retain entitlement for up to 52 weeks under the existing provisions.

6.19. The Committee is also interested in extending eligibility for both bereavement payment and bereavement allowance to unmarried co-habiting partners. At present, unlike the widowed parent's allowance, these benefits are available only to married persons. Work will be undertaken during this term to assess the scope, policy implications and estimated financial impact of such an extension.

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

Rates of benefit and the co-payment

7.1. 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.

7.2. Care benefits are paid from the Long-term Care Insurance Fund to assist with the cost of fees for care received in private residential and nursing homes.

7.3. On 20th February 2025, following consideration of 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'), the States agreed, among other things:

- a guideline policy of Guernsey RPIX plus 1% for future uprating of care benefit and the co-payment, with effect from 5th January 2026;

- 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[23], conditional on States approval of the rates to apply from January and July each year; and

- to gradually increase the rate of the co-payment[24] 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 LaingBuission analysis, conditional on States approval of the rates to apply from January and July each year.

7.4. The table and graph at Appendix 2 illustrate the transitional rates of the co-payment and care benefit from 2025 to 2030 in 2025 terms.

7.5. In line with the agreed policies set out above, the Committee is proposing that the sum of the rates of long-term care benefit and the co-payment be increased by 5.3% (this being the rate of RPIX as at 30th June 2026, plus 1%) with effect from 4th January 2027.

7.6. Further, the Committee is proposing that the fourth and fifth steps in the phased increase in the rate of the co-payment be implemented with effect from 4th January and 5th July 2027. The July 2027 increase does not include a further inflationary increase as inflationary increases are only to be applied in January of each year.

7.7. The rates of long-term care benefit need to be decreased, with effect from 5th July 2027, 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 2027, 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

---

22 The Need to Stabilise the Private Care Home Market and Incentivise Growth to Meet Demand (Billet d'État V of 2026, Article III).

23 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).

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

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.

7.8. The proposed rates of the co-payment and long-term care benefit, with effect from 4th January 2027 and 5th July 2027, are set out in Tables 12 and 13.

Table 12 – Current and proposed weekly rate of the co-payment (personal contribution)

	From 06/07/26 (current)	From 04/01/2027 (proposed)	From 05/07/2027 (proposed)
Co-payment	**£414.61**	**£455.35**	**£474.11**

Table 13 – Current and proposed weekly rates of long-term care benefit

	From 06/07/2026 (current)	From 04/01/2027 (proposed)	From 05/07/2027 (proposed)
Residential care benefit	**£819.77**	**£844.55**	**£825.79**
Residential care – dementia (elderly mentally infirm)	**£985.18**	**£1,018.71**	**£999.95**
Nursing care benefit	**£1,357.86**	**£1,411.20**	**£1,392.44**

7.9. 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 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 7.3 and 7.7 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 2027.

7.10. The proposed rates of respite care benefit from 4 January 2027 are set out in Table 14.

Table 14 – Current and proposed weekly rates of respite care benefit

	From 06/07/2026 (current)	From 04/01/2027 (proposed)
Residential care respite benefit	£1,234.38	**£1,299.90**
Residential care - dementia respite benefit	£1,399.79	**£1,474.06**
Nursing care respite benefit	£1,772.47	**£1,866.55**

7.11. Table 15 sets out the impact of the proposed benefit rates on projected expenditure from the Long-term Care Insurance Fund for 2027, along with the 2026 forecast at the time of writing, compared with the actual expenditure figures for 2023 to 2025.

Table 15 – Summary of expenditure from the Long-term Care Insurance Fund

	2023 Actual £m	2024 Actual £m	2025 Actual £m	2026 Forecast £m	2027 Budget £m
Residential care	12.5	13.8	16.3	18.7	20.5
Nursing care	11.1	11.8	13.4	15.2	16.3
	23.6	**25.6**	**29.7**	**33.9**	**36.8**
Administration	0.3	0.3	0.3	0.4	0.6
	23.9	**25.9**	**30.0**	**34.3**	**37.4**

7.12. The year-on-year increase in total benefit expenditure from the Long-term Care Insurance Fund, as shown in Table 15, reflects both the annual uprating of benefit rates and rising demand. As shown in Table 16, between 2022 and 2025, 57% of the increase in total benefit expenditure from the Long-term Care Insurance Fund was attributable to States-approved benefit rate increases implemented in line with the approved uprating policy, while the remaining 43% was attributable to rising demand.

Table 16 – Drivers of increased benefit expenditure from the Long-term Care Insurance Fund from 2022 to 2025

	2023	2024	2025	Three-year period from 2022 to 2025
Percentage uplift applied to previous year's benefit rates	7.0%	6.8%	4.5%	-
Actual percentage increase in total benefit expenditure compared to previous year	6.8%	8.5%	16%	-
Percentage of increase in total benefit expenditure attributable to States-approved increases in benefit rates in line with States-approved uprating policy	100%	80%	28%	57%
Percentage of increase in total benefit expenditure attributable to rising demand	0%	20%	72%	43%

Implementation of a user care cost contribution

7.13. In addition to the policy changes set out in paragraph 7.3, the States agreed in February 2025 to make it a condition of entitlement to long-term care benefit that the person receiving care has paid[25] up to £10,000 of their care costs, unless exempt from this requirement. At the time, the Committee stated that a financial assessment would be carried out to determine if a person was liable to pay this 'user care cost contribution' or was exempt from this requirement. For the purposes of the financial assessment, the entire value of a person's principal private residence would be disregarded, but the majority of their other capital assets would be taken into account, as well as their weekly income if they had capital assets of less than £25,000, subject to specified exceptions.

7.14. The States approved the main parameters of that financial assessment and agreed to empower the Committee to prescribe the detailed parameters by Regulation, subject to States approval in respect of the capital assets to be taken into account.

[25] After making their claim for benefit and subject to meeting all other eligibility criteria.

7.15. The Committee has agreed the parameters which should be set out in Regulations, including anti-divestment provisions, and has directed that these be drafted. The Committee will make these Regulations in due course and is currently undertaking all other necessary preparations for the implementation of the user care cost contribution. While the Committee is currently targeting entry into force in July 2027, this date remains subject to the completion of all necessary operational preparations and may therefore be revised.

PART IV: FINANCIAL POSITION

8. Financial position of the Guernsey Insurance Fund

8.1. The recent financial performance of the Guernsey Insurance Fund is shown in Table 17. It is estimated that the operating deficit, before investment returns, will be £22.9m in 2027 (2026 forecast: £15.8m deficit). The Fund has now been in operating deficit, before investment returns are taken into account, since 2009.

8.2. 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[26] of the Fund reducing. It also reduces the extent to which investment income can contribute to the financing of the scheme.

8.3. Appropriations 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.

[26] 'Expenditure cover' means the net assets of the Fund as at 31st December divided by annual expenditure from the Fund during that year.

Table 17 – Financial performance of the Guernsey Insurance Fund

	2023 Actual £m	2024 Actual £m	2025 Actual £m	2026 Forecast £m	2027 Budget £m
Income	159.2	172.2	186.9	206.4[27]	214.1[28]
Expenditure	(182.4)	(199.3)	(209.0)	(222.2)	(237.0)
Operating deficit	(23.2)	(27.1)	(22.1)	(15.8)	(22.9)
Investment returns	45.0	55.1	55.3	69.6	48.7
Net surplus/(deficit) for the year	21.8	28.0	33.2	53.8	25.8
Appropriations to General Revenue Reserve	(1.8)	(0.9)	(0.1)	(0.5)	0.0
Net assets at 1st January	716.8	736.8	763.9	797.0	850.3
Net assets at 31st December	736.8	763.9	797.0	850.3	876.1
Expenditure cover in years	4.0	3.8	3.8	3.8	3.7

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

9.1. The recent financial performance of the Long-term Care Insurance Fund is shown in Table 18. It is estimated that in 2027 there will be an operating surplus, before investment returns, of £9.6m (2026 forecast: £11.6m surplus).

[27] Latest estimate as at 14th September 2026.

[28] Latest estimate as at 14th September 2026.

Table 18 – Financial performance of the Long-term Care Insurance Fund

	2023 Actual £m	2024 Actual £m	2025 Actual £m	2026 Forecast £m	2027 Budget £m
Income	37.1	41.0	42.0	45.9[29]	47.0[30]
Expenditure	(23.9)	(25.9)	(30.0)	(34.3)	(37.4)
Operating surplus	13.2	15.1	12.0	11.6	9.6
Investment returns	8.6	12.0	13.7	18.5	14.1
Net surplus/(deficit) for the year	21.8	27.1	25.7	30.1	23.7
Net assets at 1st January	129.2	151.0	178.1	203.8	233.9
Net assets at 31st December	151.0	178.1	203.8	233.9	257.6
Expenditure cover in years	6.3	6.9	6.8	6.8	6.9

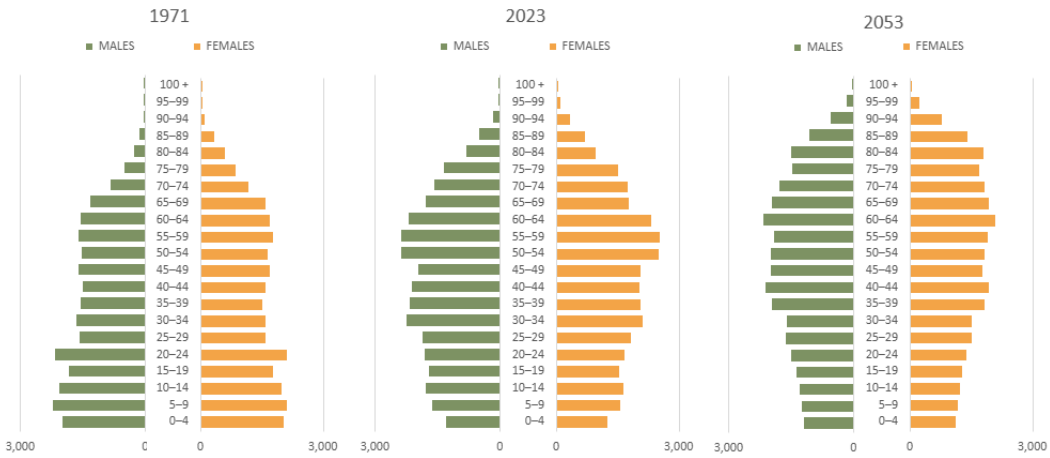
9.2. While Table 18 shows that the Long-term Care Insurance Fund remains relatively stable in terms of years of expenditure cover at present, the Fund and the current care model are projected to become financially unsustainable over time due to rising demand as a result of the ageing population and increasing care costs. Most people who require long-term care are aged 85 and over. The number of people in this age group is projected to increase by 128% between 2023 and 2053.

9.3. The population pyramids in Figure 1, show how the composition of the Guernsey's population has changed between 1971 and 2023 and how it is projected to change further by 2053. This shows that the population is ageing, with fewer people in the younger age groups and significantly more people in the older age groups by 2053.

29 Latest estimate as at 14th September 2026.

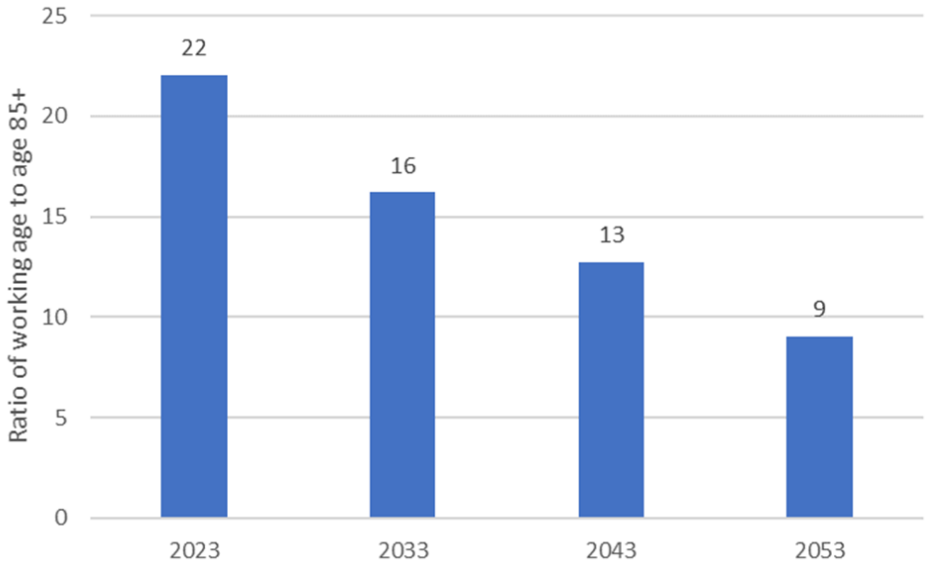
30 Latest estimate as at 14th September 2026.

Figure 1 - Population Pyramids prepared by the States of Guernsey Treasury Department in 2024



9.4. Figure 2 shows the projected ratio of working age people for every person aged 85 and over from 2023 to 2053. The projected increase in demand, alongside the projected worsening of the dependency ratio will place significant pressure on the Long-term Care Insurance Fund in the decades to come. Reform to the Long-term Care Scheme is therefore essential in order to ensure its long-term financial sustainability.

Figure 2 – Projected ratio of working age people to people aged 85 and over – 2023 to 2053



9.5. In this context, the Policy & Resources Committee, the Committee *for* Health & Social Care and the Committee *for* Employment & Social Security are currently working on the development of proposals for a new model of community long-term care and a sustainable funding approach.

10. Investment performance

10.1. The States' Investment Board 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.

10.2. 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 advisor. 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.

10.3. Performance for the calendar year 2025 was +7.2%, which lagged the target return of 8.5% and the Policy Benchmark, which returned +9.1%. The most recent data available for 2026 is to the end of May. Performance for the period January to May 2026 was +5.68% versus the Policy Benchmark at +5.2%.

10.4. The largest drivers of the shortfall against the Policy Benchmark in 2025 were underperformance from a global equity manager and from legacy private investments. The global equity manager underperformed due to adopting an anti-AI thesis which suffered in the face of continued strong performance from the sector. The 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.

10.5. Performance for the trailing 10-year period to May 2026 was +5.95% p.a. compared with the long run target return of +8.72% over the same period. It should be noted that the UK CPI +5% long-term benchmark was only introduced at the beginning of 2023. The Committee notes that this represents an underperformance and has therefore asked the Policy & Resources Committee to agree to a representative of the Committee attending future States Investment Board meetings in an observer capacity.

PART V: RULES OF PROCEDURE

11. Compliance with Rule 4 of the Rules of Procedure

11.1. 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.

11.2. In accordance with Rule 4(1)(a), it is confirmed that Propositions 1 and 4, in respect of increasing contribution rates to the Guernsey Insurance Fund, aligns with the desired outcome to 'strengthen the stability of its public finances' under the 'Island Resilience' area of focus of the Government Work Plan 2026-2029.[31]

11.3. 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 generally supportive of the Committee's proposals.

11.4. 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.

11.5. 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 18 and 19 of this Policy Letter.

11.6. In this Policy Letter, the Committee has set out its proposals for benefit rates and contribution rates and limits for 2027. 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."

[31] The Government Work Plan 2026-2029.

11.7. In accordance with Rule 4(2)(b), it is confirmed that the propositions have the unanimous support of the Committee.

Yours faithfully

T L Bury
President

J M Ozanne
Vice-President

T M Rylatt

R J Le Brun

G A St Pier

Appendix 1

Current and anticipated future contribution rates for 2027 to 2031 if the ten-year plan is implemented in full

	2027	2028	2029	2030	2031
Class 1	**14.8%**	**15.0%**	**15.2%**	**15.4%**	**15.6%**
Employer	7.2%	7.3%	7.4%	7.5%	7.6%
Employee	7.6%	7.7%	7.8%	7.9%	8.0%
Class 2					
Self-employed	12.6%	12.8%	13.0%	13.2%	13.4%
Class 3: Non-employed					
Under pension age	12.0%	12.2%	12.4%	12.6%	12.8%
Over pension age	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[32]	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

[32] 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)