



# BPSU POSITION PAPER

This position paper was developed by Bro. Jason Hayward, President and Bro. Edward Ball Jr., General Secretary of the BPSU. This Paper seeks to inform the members on various initiatives that will affect public service employees and provide the BPSU's position. These positions are not fixed and may be amended after further consultation with the Membership.

Initiatives Affecting  
the Public Service  
Employees

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## **Public Sector Employee Pensions**

### **Public Service Superannuation Fund (PSSF)**

#### **Public Sector Employee Pensions**

The PSSF is the public sector employee pension plan. The plan is governed by the Public Service Superannuation Act, 1981 (as amended by the Amendments Act 1983, 1984, 1985, 1986, and 2007 or any other subsequent amendments) and the Pensions Act of 1970. The plan provides contributory defined benefit pensions to Bermuda's public service employees, and quasi-autonomous non-governmental organizations (QUANGO) employees.

#### **Public Service Superannuation Board**

##### **Membership**

The Public Service Superannuation Board was established under the Public Service Superannuation Act, 1981. Membership comprises representatives from both the employers and the employees.

##### **Functions**

The Board considers the claim of every employee who retires from the public service in circumstances entitling him to either a pension or refund of his contributions, and performs any other function assigned by the Minister of Finance.

##### **Contributions**

The basis of the Act is to provide the right to a pension for every contributor to the fund who satisfies the requirements of the Act.

##### **Employee Contributions**

The contributions, which are automatically deducted from monthly salary or weekly wages, currently comprise an 8% deduction.

The essential services will have an automatic deduction of 9.5%.

##### **Employer Contributions**

All employee contributions are matched 100% by the Government of Bermuda.

##### **Calculation of Pension**

Pension Computation – Amount Payable

The annual rate of pension is computed on the basis of one eight-hundredth of final annual wage/salary for each month of service (up to a maximum of 480 eight-hundredths, i.e., 60% of final wage/salary). This has the effect of producing a pension of 1.5% of final wage/salary for each year of service.

### ***Example of a Pension Computation***

An employee who retires on a final wage/salary of \$50,000 per annum after 40 years in Government employment would receive a pension of \$30,000 per annum (one and one-half per cent of \$50,000 is \$750 and \$750 multiplied by 40 is \$30,000).

## **Provisions Relating to Pensions**

### **Retirement on Pension**

Any employee with a minimum of eight years contributory service becomes entitled to retire with a pension payable on or after attaining the age of 60 years. Retirement is compulsory for any employee upon attaining the age of 65 years. In special circumstances, an employee may be permitted by the Head of Civil Service to continue in the public service until a later age, not exceeding the age of 70 years. An employee will become entitled to the payment of a pension upon his retirement if any of the following circumstances prevail:

a) **Police and Fire Services**

A police officer or fire officer on attaining the age of 55 years, or if below the rank of Superintendent or Divisional Officer on attaining that age, or on completing 25 years of service as a police officer or fire officer, whichever comes first. Any police officer or fire officer may, in special circumstances, be permitted by the Commissioner of Police or the Chief Fire Officer to continue in the public service until a later age, not exceeding the age of 60 years.

b) **Prisons Service**

A prison officer on attaining the age of 55 years, or if below the rank of Deputy Commissioner on attaining that age, or on completing 21 years of service as a prison officer, whichever comes first. Any prison officer may, in special circumstances, be permitted by the Commissioner of Prisons to continue in the public service until a later age, not exceeding the age of 60 years.

c) **Bermuda Regiment Staff**

A member of the Bermuda Regiment staff, on attaining the age of 60 years.

***(Note: In respect of the above three categories of Government employees, an officer of the Police Service, or Fire Service who chooses to retire after 25 years service or an officer of the Prisons Service who chooses to retire after 21 years service will not receive a pension until they attain the age of 50 years. Such officers required to retire after 25 or 21 years service, as applicable, will receive a pension immediately upon retirement.)***

- d) **Any Other Employee**  
Any other employee, on or after attaining the age of 60 years.
- e) **Due to Redundancy**  
On the abolishment of the employee's job/office.
- f) **Due to Compulsory Retirement**  
On compulsory retirement of the employee for the purpose of facilitating improvement in the organization of the Department or Government Board to which the employee belongs, by which greater efficiency or economy can be affected.
- g) **On Medical Grounds**  
On medical evidence to the satisfaction of the Governor that the employee is incapable by reason of some infirmity of mind or body of discharging the duties of his job/office and that such infirmity is likely to be permanent.
- h) **By Agreement**  
On termination of employment by agreement between the Government and the employee.

### Actuarial Valuation

The current actuaries are *Morneau Shepell*. On February 19, 2014, in a presentation to the Bermuda Public Services Union and other stakeholders, Morneau Shepell reported the following on the PSSF:

#### Financial Position as at March 31, 2012

<b>Assets</b> – smoothed value	\$ 492,045,200
<b>Liabilities</b>	
• Active members	\$ 794,590,100
• Terminated vested members	\$ 57,378,500
• Retirees and beneficiaries	<u>\$ 623,172,100</u>
<b>Total liabilities</b>	\$1,475,140,700
<b>Actuarial unfunded liability</b>	<b>(\$983,095,500)</b>

**Fact 1:**

With no new contributions, the fund will run out of money because interest on the deficit will not be covered by interest earned on the assets.

i.e. the deficit can be expected to grow at 6.5%,

$$\$983,095,500 \times 0.065 = \$ 63,901,200$$

**Fact 2:**

New employee and employer contributions cover the cost of benefits earned by working plan members in the year.

There is not much left to apply against the deficit.

- **Year Ended March 31, 2013**

Employer + Employee contributions: \$ 65,724,000

Cost of one year of new benefits: \$ 54,880,000

Net contributions to apply to deficit \$ 10,844,000

- **Increase in Actuarial Unfunded Liability**

$$\$ 63,901,200 - \$ 10,844,000 = \$ 53,057,200$$

**Fact 3:**

If no deficit funding is available...

- The funds will run out in 2045 or so
- Contributions by current employees are used to provide benefits to current pensioners until the fund depletes

How to increase the assets level?

- Add more money (contributions)
- Earn more than 6.5% on average each year
- Provide smaller new benefits
- Decrease future benefit payments

- Plan experience will impact the results

Results will be impacted by future experience:

- A recent study shows PSSF pensioners are living longer than expected
- Earnings greater or lower than 6.5% per annum
- Age at retirement
- Termination rates

### **BPSU's Position**

In February 2014, a delegation from the Bermuda Trade Union Congress (BTUC) attended a series of meetings in British Columbia, Canada to discuss possible solutions to our pension problem.

The meeting commenced with the BTUC delegation providing an overview of the Bermuda Public Service Superannuation Fund (PSSF) and the alarming underfunded liability (estimated \$1 billion US dollars).

After a lengthy discussion with our Canadian hosts on the historical issues of the fund, the following suggestions were recommended to the Bermuda delegation:

1. The feasibility of the Bermuda Public Services Union running the PSSF under a Joint Trustee model with the Bermuda Government.
2. Explore the option of increasing employer and employee contributions,
3. Review the investment portfolios for greater returns,
4. Reduce the enhanced pension benefits for all advantaged workers such as the uniform branches, to ensure equity for all pension contributors to the plan; if this option is not viable, then either greater contributions of this group or the contributors have a separate plan.
5. Cost of Living Adjustments to be reviewed for all future PSSF pensioners.

### **Joint Trustee Pension Model**

A Joint Trustee pension plan is where the responsibility and administration of the PSSF is shared jointly between the employer and employees. A joint trustee board is established which comprises of appointed representatives from the Government and Unions. The board manages all aspects of the PSSF.

Advantages of a Joint Trustee pension plan include:

1. Employees have more say in the administration of their PSSF plan;
2. Employers are prohibited from dipping into the pension funds;

3. Allows for collaboration for contribution increases;
4. Allows employees to have say in the investment of pension funds;
5. Reduces the employer's pension fund liability by half;
6. Allows the Board to decide if a cost of living increase is paid based on the fund's financial position of the plan.

This adapted model has born success for Canadian Unions' defined benefit (DB) plans, in particular British Columbia Unions, becoming fully funded and with access funds.

As a first step, the BPSU is recommending the adaption of the joint trustee plan for reforming the PSSF.

### **Increase Contributions**

At some point, public officers will have to agree to increases of contributions (the employee and employer to the Plan). Two methods are as follows:

1. Incremental scheduled increases;
2. Along with an education campaign, explaining the long term benefit to the viability and longevity of the plan.

### **Improving Investment Returns on Assets**

Equal, increases in employer and employee contributions will improve the investment returns and increase the plan assets under the joint trustee scheme. Suggestions for improving investment returns are:

- Pool the PSSF assets as a lump sum with the Canadian public employees' pension funds to ensure greater return on our investments due to wider portfolio options. One joint trustee board was able to reverse its \$1 billion unfunded liability to a zero balance in one year. The Bermuda Government will have to agree to an investment contract with the Joint Trustees of other pension plans.
- Use the British Columbia Trustee plan which manages over \$102 billion.

### **Reducing Benefits to Ensure Equity to All Plan Contributors**

We realise that "reducing benefits" is a very thorny issue for members of the BTUC as it was for Union representatives of the British Colombia Trade Union Congress.

The realisation that if a group of workers has not made contributions to the pension fund, paying enhanced pension benefits that were not earned, only increases the unfunded liability and creates



greater disharmony between the various contributors. This factoid potentially jeopardises the viability of the PSSF.

One solution accepted by British Columbia workers was to increase the retirement age, thus increasing the contribution to the fund. Another idea is for that group of workers to run their own scheme with increased contributions to the plan by the employees and employer.

Another option was not guaranteeing the cost of living adjustment/inflation protection for pensioners. COLA increases will be discretionary and any payout is decided by the Joint Trustees.

In conclusion, not to make any changes to the current PSSF is not an option. The unfunded liability is growing, pensioners are living longer and there are insufficient new contributors to erode the unfunded liability.

The BTUC must reach consensus on what model is best to ensure the viability of the defined benefit plan for public officers and current pensioners.

## PUBLIC SERVICE REFORM INITIATIVE

### SAGE Commission

The Sage Commission was enacted by an Act of Government to review and make recommendations on reducing costs, and improving efficiency within the Civil Service. The SAGE Commission determined that there are key findings related to Civil Service that must be addressed which included:

1. Weak leadership
2. Inability to implement change and fix problems
3. Lack of opportunity and succession planning
4. Lack of alignment and transparency of outcomes
5. Lack of accountability
6. Insufficient utilization of checks and balances
7. Lack of effective performance management systems
8. Lack of performance culture
9. Internal services are weak
10. Effective policies exist but are not utilised
11. The leadership of the Civil and Public Service is responsible for performance management across all departments
12. There should be greater compliance with rules and regulations such as Financial Instructions and the CECC
13. Enhance succession planning and talent management
14. Set the tone from the top
15. Set and manage priorities
16. Set and manage disciplinary standards.

The Commission emphasized that “leadership style” and adherence to equitable disciplinary policies determines the culture of the organization.

Hence, the reactivation of the Head of the Civil Service (HOCS) post is responsible for the Financial Secretary and the Permanent Secretaries. The HOCS has direct functional responsibility for Government-wide support services including Management Consultancy Services, e-Government, Statistics, Communication & Information, Information Technology, Human Resources and Project Management.

Keys to the implementation for reform of the service was the enactment of the following procedures:

- Redefine the role of the Secretary to the Cabinet in accordance with the provisions of Section 69 of the Constitution, but expand it to include other areas such as co-Chair of the Civil Service Executive and responsibility for the Central Policy Unit.
- Give the responsibility for managing the operations of the Civil and Public Service to the Head of the Civil Service, including the completion of performance appraisals of the Financial Secretary and Permanent Secretaries.

### **BPSU's Position on the SAGE Report**

The Bermuda Public Services Union has always supported steps to make the Government more productive and efficient. We would like to consider ourselves as being transformational agents and not an institution that impedes constructive change. All Bermudians should support the aim of a cost effective Government, even more so in these challenging times. However in order to achieve this Government must create a new culture that garners trust and fosters true collaboration with public service workers. We believe that increased efficiency and productivity can be achieved without large scale job cuts and the erosion of employee benefits.

The BPSU understands the fiscal stress that the Government currently face as a result of their expenditures continually exceeding their collected revenues. We recognize that this trend, if continued, will have a detrimental effect on Government's ability to operate and pay its debts. We realize that the time to act is now.

The BPSU has some major concerns with elements of the Final Report submitted by the SAGE Commission. We understand that, at this stage, the report is only a set of recommendations and we will reserve comments on the entire report. It is realized that it is not at all practical to implement the majority of the recommendations made by the SAGE Commission in this current economic climate. Doing so would lead to economic suicide and would move Bermuda further into the dark hole that we are trying to climb out of.

The BPSU, in being more proactive, find ourselves moving away from our traditional position of it being management's job to manage and the Union's responsibility to just represent our members in responding to management's decisions; as there are too many variables threatening to weaken and hobble the public service. We have a responsibility not only to protect public services but also to fight for improved quality services.

While we find the overall tone of the report to be extremely subjective, the Union generally supports recommendations that focus on performance, in particular:

- Reducing budget overruns
- Implementing strategies for succession planning and talent management
- Controlling Ministerial overrides
- Aligning policies, goals and measures
- Improving the checks and balances in the current system

However, the BPSU would like to have more serious dialogue with the Government on privatization, pension, public expenditure and strategic planning.

### ***Privatization***

The BPSU believes that public services are essential to the quality of life of the residents of Bermuda and as a result, we will not and cannot accept that the wholesale distribution of public services to the private sector is a necessity. Too often it seems that public services are taken for granted when you consider their value and role in building economies. Many countries' economies were built on the backs of public services and public service workers, so there is a need to be more focused on the value of the service and not so much on the people who deliver the service. The services that the public sector provides to Bermuda's economy are critical. We have highlighted this during our Quality Public Services Campaign, where we noted the importance of quality public services to the country's economic revival.

We have seen the negative effects of privatization on employment, pay and economic and social welfare around the globe. We will not stand by silently and watch the workers and residents of this country endure any further preventable hardships. The philosophy that the public sector is inefficient and that the private sector, using a more business acumen, is better suited to deliver, is a concept that is shared by many worldwide. The belief that the benefits of privatization will have a trickledown effect has been proven wrong time and time again in a number of jurisdictions. The only thing that trickles down is the fallout from these profit-making entities where there is no accountability or repercussions for poor service.

### ***Pensions***

The pensions of current and former public service workers are something that the Government and the Unions must work on collectively to get right. The effects of a collapse in the Public Service Superannuation Fund (PSSF) will be detrimental to Bermuda's society. A solution is needed to tackle the current reality facing the PSSF. The underfunded liability of approximately \$973 million, combined with the Government's current financial position, is of grave concern. The Union welcomes dialogue with the Government on this topic, as we do not believe that the two options presented by the SAGE Commission are the most practical ways forward. We do not support a complete move from a DB plan to a DC plan, as DC plans possess and will create its own new set of short falls.

### ***Public Expenditure***

The SAGE Commission had a mandate to comprehensively review the services that the Government provides along with the expenditure allocated to those services. The Union expected that the Commission's Final Report would have identified and addressed areas of duplication, waste, and inefficiency within Government. However, the Final Report submitted to the Government lacked detail on those critical areas. That failure now hinders the Government's ability to symmetrically address unnecessary or excess Government expenditure, and leaves the Minister of Finance no other option but to implement thoughtless, archaic across-the-board cuts that reduce expenditure by a specified percentage in all Departments.

The report also failed to address how Government can reduce expenditure on Professional Services (\$85 million annually which includes contracts to consultants and vendors), energy costs (\$20 million annually) and monies spent on rentals (\$18 million annually).

### ***Strategic Planning***

The BPSU wholeheartedly supports the SAGE Commission's recommendation for the creation of a National Strategic Plan by the Cabinet Office and Civil Service Executive. However, this cannot be accomplished without the Government providing a clear national vision for Bermuda. It is critically important to understand that vision and tasks are different. What we do, that is, the tasks we execute, is not vision. A vision statement has three parts – who are we, where are we going, and what will we do to get there?

The SAGE Report recommendations are only part of the answer. The SAGE Report does not speak to the direction of the country. The SAGE Report speaks to inefficiencies and what needs to be done but this is only part of the problem. For example, you can drive a very efficient car that runs well and has good mileage but after a few hours of driving, you realize that you are heading in the wrong direction. Similarly, you can drive a very inefficient car, get the tires changed, oil changed, new battery and drive with good mileage and realize after a few hours you're travelling in the wrong direction.

Having a national vision of where you are going is important - a strategic plan is needed with specific country goals and action items allocated to specified Ministries to accomplish the vision within specified timelines.

Some tasks and objectives outlined in the SAGE report could perhaps be executed as recommended but ultimately, they should fit into our country's vision and strategic plan, in order for us to understand how what we do fits into the big picture of where we are going, otherwise recommendations can be implemented and we still won't know where we are.

## Public Service Reform

In June of 2014, The Hon. Michael H. Dunkley, JP, MP, Premier and Minister of National Security updated the public on the Government's Public Service Reform Initiative, stating:

"In 2013, the SAGE Commission was established to evaluate and analyse operations of Government in line with international best practice.

The Commission sought to determine the best means of structuring Government, streamlining Government processes, improving delivery of services, and introducing cost saving measures coupled with greater transparency.

The SAGE Commission Report (dated 31 October, 2013) identified a number of challenges relating to Government operations and recommended a number of transformative measures.

The SAGE Report contained more than 200 recommendations and many more observations. The Government has already commenced work to address critical areas including:

- structure and accountability within the public service;
- reduction in the size and cost of the public service through disposal of non-core functions; and
- advancement of work that considers the implications of the structure of pension funds.

The SAGE Report, and the recommendations contained therein, combined with the many reviews and reports conducted by internal resources, as well as external consultants, serves as the foundation for Public Service Reform.

The Public Service Reform Initiative objectives are directly aligned with those set out for the SAGE Commission work.

It is expected that there will be seamless integration between the research and recommendation phase – The SAGE Commission era; and the implementation phase – the Public Service Reform initiative era. This alignment is critical if we are to achieve our overall aim.

A Public Service Reform Strategic Framework has now been completed and adopted by the service with a view for the implementation of meaningful actions that will result in

substantial and sustainable change. To this end, several working groups have been established. These include:

- The Human Resources Working Group;
- The Asset Rationalization Working Group;
- The Digital Services Working Group; and
- The Pension and Benefits Working Group.

Honourable colleagues will already be aware of the proposed Efficiency and Reform Authority that will be established as a result of the proposed Public Bodies Reform Act.

This too represents, though with statutory authority and with a different structure, a working group charged with implementation.

Draft terms of reference for each of the working groups have been produced and preliminary short and medium term action plans are in the development stages. The action plans set out the steps to be taken to implement those SAGE Recommendations and other recommendations that the Government will determine that it supports.”

### **BTUC Questions on the Public Service Reform Initiative**

The Bermuda Trade Union Congress (BTUC) drafted and submitted a number of questions to the Government for response. Below are the some questions (relevant to topic) and Government’s response.

#### **1. What is the Public Service Reform Initiative and who heads it up?**

The Head of the Civil Service, Mrs. Cherie Whitter, is in charge of the Public Service Reform Initiative and the sub-committees are charged with research and formulating recommendations for submission to the Cabinet.

The goals of the Public Service Reform are as follows:

- To streamline Government processes;
- To improve delivery of services;
- To make Government more efficient;
- To make Government more cost-effective;
- To make Government more transparent;
- To make Government more user-friendly; and
- To effectively manage the public finances.

**2. What are the implications for all unions?**

Cabinet is in the early stages of Public Service Reform. The Unions will be invited to participate in the process.

**3. Will this reform be driven by the Civil Service?**

The Public Service Reform Initiative will be driven by the Civil Service. It should be clear however, that the Premier will serve as the Champion of Public Service Reform and further, Public Service Reform is complex and embraces a number of elements that will include the Reform Authority. You will already be aware that the Reform Authority will include public and private sector representatives as well as Union representatives.

**4. Will privatization be considered as a separate entity to the reform?**

As noted above, Public Service Reform has many elements and the Reform Authority's remit is considered one of many components.

**5. It has been reported that legislation will be tabled before the end of the current session, will there be consultation with the stakeholders before this happens?**

The legislative process for the Reform Authority is being managed by the Ministry of Finance.

**6. What is the make-up of the committee?**

The Financial Secretary will release at a future date.

**7. What is the timeline for implementation?**

It is anticipated that the legislation will be tabled during the summer session.

**8. Who is ultimately responsible for presentation?**

The Minister of Finance has been charged with moving the legislative initiative forward.

- Human Resources Working Group
- Digital Services Working Group
- Asset Rationalization Working Group
- Pensions/Benefits Working Group (BTUC representative already identified)

That is an overview of the Reform Initiative.



## Public Bodies Reform Act

In March of 2014, the Minister of Finance, E.T Bob Richards stated in the House of Assembly:

"I rise today to provide Honourable Members with an update on the status of the Public Bodies Reform Act. Honourable Members will recall that it was announced in the Budget Statement that in order to introduce reforms to Government's public bodies and related agencies so as to achieve financial savings and efficiencies in the delivery of public services, I intend to lay legislation entitled the "Public Bodies Reform Act" before Parliament before the end of this Budget session.

I can advise that significant progress has been made on this initiative. I have also decided that as part of the consultative process, a "for discussion" draft of this Bill will be provided to key stakeholders such as the unions, before it is tabled in the Legislature.

We anticipate that the discussion draft will be completed early April and the Ministry looks forward to any comments that the unions may have on this important Bill.

Honourable Members are advised that the Public Bodies Reform Act will provide for, amongst other things, the following:

- Establish the legal authority for the relevant Minister charged with the responsibility of the effected entity under the Bermuda Constitution, in consultation with the Minister of Finance to make various reforms to government departments, quangos, government funds, government boards & committees (i.e. abolish, merge, modify, transfer) and related legislation;
- Establish the Efficiency & Reform Authority reporting to the Minister of Finance and provide for its various powers, functions, responsibilities, operations and related provisions;
- Provide the requirement to consult before reforms are made;
- Provide the relevant Minister, in consultation with the Minister of Finance, with the discretionary power, upon making a reform order, to transfer property, rights and liabilities to an eligible person;
- Enable the Minister of Finance to vary any applicable taxes related to such transfers.

It is important to note that any reforms to government departments, quangos, government funds, government boards & committees will be provided for by the making of a Reform Order. Given the potential extent and implications of Reform Orders and the fact that Reform Orders will necessarily amend primary and subordinate legislation, these orders will be subject to the affirmative resolution procedure. These Orders will only be made after a mandatory consultative period which will be embedded in the Act.

The Public Bodies Reform Act is an important piece of legislation, as it will allow Government to make the cost savings required as we seek to reduce the deficit. We recognize and understand people's concerns about this matter and will work carefully to ensure that the proposed reforms work in a manner that is responsible and fair to both the workers of the Government and Bermuda taxpayers.”

In July of 2014, The Hon. Michael H. Dunkley, JP, MP, Premier and Minister of National Security tabled the “For Information” Public Bodies Reform Bill. A Government spokesperson reported:

“The tabling of the Bill signals Government’s commitment to the people of Bermuda to actualize certain reforms to Government’s public bodies and related agencies to achieve financial savings and efficiencies in the delivery of public services.”

“The draft Bill seeks to establish the Efficiency and Reform Authority. It also makes provision for a Mutual Support Fund and empowers Ministers to make various Public Bodies Reform Orders.”

“The primary function of the Authority is to evaluate and analyze operations of the many departments, quangos and other government entities in line with best practice to determine the most efficient structure for the delivery of services. The Authority will make recommendations to the Premier and the Minister of Finance jointly.”

“The Government’s principal methodology for reform will include Public Service Mutuels, Outsourcing, Privatization and merging of bodies and offices.”

“The public should be aware that an earlier version of the draft Bill was circulated to the Bermuda Trade Union Congress (BTUC) and the Civil Service hierarchy in May and June of this year. Submissions have now been received from both groups. The BTUC replied with their comments on 9th July, 2014, and suggested that the Bill be tabled in the House on 18th July.”

“Some amendments to the Bill based on the submissions received to date have already been undertaken and are reflected in the “For Information” Bill tabled in the House of Assembly earlier today. Others are still being analyzed and further amendments are anticipated.”

## **BPSU's Position on Public Bodies Reform Act**

Members of the public and public officers are encouraged to read the Draft Bill (an E-copy is downloadable from the Government Portal – [www.gov.bm](http://www.gov.bm)) and to provide feedback and submissions to the Minister of Finance by Friday, August 29, 2014. The OBA Government will retable the Draft Bill when the House reopens in November 2014 for debate and a vote.

The Draft Bill 2014 is proposing to grant the “Efficiency and Reform Authority” sweeping powers to reduce the number of public bodies and bring greater accountability, transparency and efficiency to the public sector.

The Union implores all public officers to consider this legislation as reshaping their terms and conditions of employment.

The BPSU/Bermuda Trade Union Congress sent a draft of objections to the initial Draft Bill in July 2014, which revealed a number of concerns of procedural safeguards to reduce effects:

- on the balance of the constitution;
- by preserving the independence of key bodies from ministerial interference;
- by securing meaningful consultation with all stakeholders prior to the making of ministerial orders;
- on the sale of government property;
- by ignoring the constitutional principle that primary legislation is amended or repealed only by Parliament and that as a democratic necessity, decisions of any ruling party remain subject to effective parliamentary scrutiny.

The Government drafters did incorporate some of our draft response recommendations, but the Bill is still worrisome, especially the uneven number of Union representatives who sit on the Board and the usage of tax payer funds to advise the Authority on purchasing Government property or how to run a mutual.

By comparison, the United Kingdom's Public Reform Act 2014 only targeted quangos and not Ministries, sections of a department, charities, commissions, authorities, or a group of workers to be outsourced/privatized, mutualisation, etc.

Many members of all ranks within the Civil Service have expressed their grave concern over the intention and the appearance to relegate the Civil Service to an “administrative body” with limited powers.

The BPSU has sent a draft of the tabled Bill to Public Services International, the global body for public sector unions for their input and recommendations.

In addition, officers of the BPSU will be visiting a number of Government Departments between the months of August through October 2014 where we will discuss the Public Bodies Reform Draft Bill 2014 along with matters concerning public officers' terms and conditions of employment.

Please be assured that this Union will do all that we can to encourage amendments, modifications, or the defeat of this 2014 Bill. At present, the Government has legislative powers to effect the combining of departments or explore other options for greater efficiency, accountability and transparency.

## Mutualisation in Bermuda

### Context

In December of 2013, the Minister of Finance, E.T Bob Richards introduced the concept of mutualisation to Bermuda, this announcement preceded the date on the Sage Report recommendations. The Minister stated:

“With even the mere possibility of certain government functions being privatized being met with consternation and horror in certain quarters, I would like to introduce a concept that has been put into practice in the UK with considerable success.

What if we could find a way to unleash that wealth creating power, that efficiency creating power, that power delivered by intelligent balancing of risk versus reward.

What if we could apply that attitude, that only comes from self interest, to some functions currently provided by the government and thereby make those services more user friendly, innovative, efficient and economical? What if we could?

Indeed we can! It is called mutualisation. What is mutualisation? Mutualisation is a process by which a service, that is currently provided by the public sector, is spun off into a separate entity, but the staff employed by government providing the service move over to the new entity, not only as employees, but as shareholders of the new entity with representation on the board.

Typically these employees will be provided their shares without charge by the government and there will also be other private sector investors invested in the entity. Often, but not always, the government will retain some shareholding going forward.

Mutualisation transforms employees into owners, with outstanding success in the UK.

If the staff is unionized, they choose whether to keep their membership in the union after mutualisation, and many have done so.

Mutuals have a 5-6 year track record in the UK and there has evolved a proven play-book on how to mutualise: what to do, and what not to do, to take this concept from an idea to success on ground.

One example of a successful mutualisation is MyCSP [MY Civil Service Pension]

There has been much talk about economic empowerment over the years, but little concrete achievement. Mutualisation of certain government services has proven itself to be an outstanding success in economic empowerment in the UK.

And we think that, at this time in our history, there could be a confluence of two opportunity streams; first, the opportunity to slim down government and the second the opportunity for economic empowerment by way of mutualisation.”

### What is Mutualisation?

Mutualisation can be described as the process of converting public services into public service mutuals. There are several different varieties of public service mutuals. In its simplest form, public service mutuals can generally be described as organizations which have spun out of the public sector and continue to deliver public services, in which employee control plays a significant role in their operation. They can vary in terms of their legal form, business model and ownership and governance model.

The Mutuals Information Service (MIS) states that a mutual “in a public sector context” is a business that is owned by its members, and that it can operate in several forms:

- employee owned
- co-operative
- wider social enterprise

They claim that mutuals can include or participate in “a variety of commercial arrangements, including joint ventures with government or other parties”. The different forms are defined as follows:

Employee ownership refers to companies where employees own “a significant or controlling stake in the business”. This could involve direct shareholdings where employees own individual shares, or indirectly where a trust holds the shares on behalf of employees.

Co-operatives are “fully or majority owned by their members”. These may be employees, consumers, others in the community or a mix. Co-operatives work on one member, one vote – rather than one share, one vote – and sign up to an agreed set of values and principles.

Social enterprises are businesses or services with primarily social objectives whose surpluses are principally reinvested for that purpose in the community, rather than being driven by the need to maximize profit for shareholders and owners.

### Mutuals in the UK

In May 2010 Prime Minister, David Cameron, and Deputy Prime Minister, Nick Clegg, set out the Coalition Government’s Programme for Government. The programme set out radical plans for public service reform, including for a wide range of groups and organisations, such as mutuals,

co-operatives, charities and social enterprises, to have much greater involvement in the running of public services.

The Minister of the Cabinet Office, Francis Maude, built on this commitment in a speech later that year, where he set out his vision to empower public sector workers to release their 'entrepreneurial vigour' to take over the running of the services they provide, as part of opening up the delivery of public services beyond the traditional binary choice of public and private. The Minister pointed out how ownership and control, through mutualisation, can empower employees to redesign services around users and communities freeing up their untapped entrepreneurial and innovative drive.

This was further reinforced through the publication of the White Paper *Open Public Services*, which positioned the role of mutuals at the heart of the Government's vision for public service reform. The White Paper set out a comprehensive policy framework across public services.

To date, around 70 public service mutuals have been formed. Established mutuals fall in the following service areas:

- Adult and Community Learning Services
- Culture & Libraries
- Fire and Rescue Authorities
- Integrated Health and Social Care
- Social Work
- Children & Youth Services
- Education
- Health
- Leisure

### **BPSU's Position on Mutualisation**

The concept of mutualisation was new to us also, as a result we have undertaken an exercise to research the full extent of what is being proposed. The method that the Government will use for creating public service mutuals and the extent of the Government's mutualisation plans remain unknown. What we do know is that the proposed Public Bodies Reforms Act will serve as the platform for the undertaking.

We embrace the notion that public services have a unique position and role to play as part of our society. They are not discretionary commodities, and provide benefits not only to service users but to the wider society. The founding principles of public services, namely universal access, delivery according to need, services free at point of use and services delivered for the public good rather than for profit should be at the heart of any model of public service.

The BPSU supports the belief that the public sector is the best placed to provide public services that meet the above mentioned criteria and we will continue to advocate for publicly owned and democratically accountable public services.

We are concerned that the Government may attempt to pass off mutualisation as something beneficial when in fact, that may not be the case. The Minister of Finance, E.T. Bob Richards, indicated that an example of a successful mutualisation is MyCSP. However, Co-Operatives UK and the UK TUC report:

“The civil service pension scheme manager MyCSP, for example, was formed as a private business without a ballot for staff on the transfer and operates without the genuine accountability that would make it a true mutual. Employees hold just 25 per cent of the shares in a trust, with 35 per cent being held by the government and 40 per cent owned by private investor Equiniti, led by former employees of outsourcing firms Serco and Capita.”

This is a prime example of how we can be misled about the true reality of mutualisation. We are cognizant of the fact that spinning out public services into mutuals may not draw the level of public opposition that traditional privatization would but it still accepts the logic of the market in public service provision and, in the long term, could also result in a major extension of more traditional privatization.

The Minister of Finance asked the public, “What if we could find a way to unleash that wealth creating power, that efficiency creating power, that power delivered by intelligent balancing of risk versus reward. What if we could apply that attitude, that only comes from self interest, to some functions currently provided by the government and thereby make those services more user friendly, innovative, efficient and economical?”

The BPSU believe that there is no reason to believe that mutualisation is necessary to achieve a service that is more user friendly, innovative, efficient and economical. These are all qualities that could be built into, and should be a part of, the day-to-day work of public service provision.

We believe that the Government’s view on mutualisation is less about empowering employees and more about reducing the size of the current public service.

The BPSU supports the Co-Operatives UK and TUC best practice guidelines which set out the conditions that should be in place to ensure that public service mutuals are based on employee support and offer genuine employee ownership and representation.

The five key areas that the guidelines address are:

- Workforce engagement and consultation
- Governance and democracy in the mutual
- Commissioning of services
- Safeguarding of public assets



- Employment standards

The guidelines emanate from Recommendation 193' of the International Labour Organization on the Promotion of Cooperatives (2002), with particular reference to Paragraph 8 and Section IV covering labour standards and the role of employers', workers' and co-operative organizations and the relationships between them.

The Guidelines set out principles of good practice whilst recognising the central role of the members and governance structures of co-operative or mutual enterprises in determining the best way to deliver public services that provide members value through a sustainable model.

The BPSU will remain watchful of the Government on this initiative and will keep our members abreast of any further development on the topic.

## Government Employees Health Insurance (GEHI)

### GEHI Overview

The Government Employees (Health Insurance) Act came into force in 1986. GEHI was created to ensure that all Government employees, pensioners, rest homes, quangos, commissions, parliamentarians, authorities and their dependents were adequately covered by maintaining accurate employee records, processing all claims in a timely manner and to provide premium health care at reasonable rates.

The dental plan, outsourced to Bermuda Fire and Marine (BFM) Insurance, offers two levels of coverage. The Basic Dental Plan is designed to cover preventative services such as routine examinations, x-rays, fillings, root canals, cleaning and scaling, etc.

The Comprehensive Dental Plan includes the benefits under the basic plan as well as major restorative services such as inlays, crowns, bridges and dentures. The orthodontic benefits are payable for services for dependent children only. The employer provides the minimum coverage of Basic Dental for all staff. Staff who opt for the Comprehensive Dental Plan pay 100% of the premium for the additional coverage. Currently, there are:

- 7,043 primary policy holders, and
- 3,459 dependents.

GEHI paid out 6.6 million for the cost of prescription drugs in 2013. The general cost of overseas medical care was 18.6 million in 2013. In addition;

- Local doctors claims totaled 6.8 million
- Outpatient claims totaled 10.7 million,
- Hospital claims totaled 7.3 million
- KEMH Emergency Room claims totaled 2.1 million,
- KEMH professional charges totaled 2.7 million,
- Imaging claims totaled 2.7 million, and
- Lab charges totaled 3.1 million.

As a result of the claims history, total losses in 2012 were reported at \$37 million and projected loss for 2013/2014 are estimated to be \$38 million.

## Current GEHI Rates

### Dental Rates

Category	Basic Per Month	Basic Per Week
One Adult	\$14.23	\$3.28
Two Adults	\$28.45	\$6.57
One Adult and Child(ren)	\$23.20	\$5.35
Two Adults and Child(ren)	\$37.42	\$8.64
Category	Comprehensive Per Month	Comprehensive Per Week
One Adult	\$35.13	\$8.11
Two Adults	\$70.25	\$16.21
One Adult and Child(ren)	\$59.61	\$13.76
Two Adults and Child(ren)	\$94.73	\$21.86

### Health Insurance

Category	Per Month	Per Week
For each adult employee	\$ 276.85	\$63.89
For a retired Government employee	\$ 276.85	\$63.89
For a non-employed spouse	\$ 276.85	\$63.89
For one child	\$102.43	\$23.64
For two or more children	\$204.87	\$47.28

### Actuarial Review

The actuary, Mr. Howard Cimring, of Morneau Shepell recommended a GEHI premium of \$370.73 for the Fiscal Year 2014/15, before the claims fluctuation reserve (CFR). In addition, Mr. Cimring recommended a provision for the CFR of 3%, or \$11.12 per month, for a GEHI premium of \$381.85, after the provision for CFR. The recommended rate of \$381.85 represents an overall increase of **\$105.00 or 38%**.

## **BPSU's Position on GEHI**

1. That the 38% premium increase must be phased in over a 2 or 3 year period.
2. That we look at rewarding members for proper wellness by reducing the premium or some other incentive plan.
3. Dependents – the plan has many adult dependents, some of whom were allegedly employed. GEHI should verify the numbers of dependents that are gainfully employed and if proven to be, remove them from the plan per the Act.
4. Promote stronger usage of generic drugs.
5. Before outsourcing the plan to the private sector, explore former recommendations to reinsure the scheme to offset claims. The Union's view was to have all of the insurance plans – HIP, GEHI and Future Care under the reinsurance policy.
6. Promote wellness campaigns within the workplace.