



GOVERNMENT OF BERMUDA

The Ministry of Finance

Ministry of Finance Headquarters

Ministerial Statement
To the House of Assembly
By
The Hon. E. David Burt, JP, MP
Premier and Minister of Finance

**Public Service Superannuation Fund
Phased Reduction of the Lump-Sum Conversion Factor**

Date: 25th September 2026

Mr Speaker, I rise before this Honourable House today to speak to public officers who will be eligible to retire by 31 March 2027. Some wish to continue serving Bermuda, but have asked whether doing so could leave them with a smaller lump sum than if they retired on 31 March 2027. That is no small question for an public officer who has earned the right to retire, nor for the public service that may lose their experience.

Honourable Members will recall that last September, I brought legislation to this Honourable House to stabilise the Public Service Superannuation Fund. Its 2023 valuation showed only thirty-seven cents in assets for every dollar owed in pensions, and without reform, its invested assets were projected to be exhausted around 2045. After years of review and consultation with unions, this Government made the tough decisions to change contributions, retirement ages, and the reference wage for retirement.

That reform was for the officers serving today, those who will join them and those who have already retired. After more than a decade without an increase, we also legislated a 10 per cent increase for public service retirees, effective from April of this year. Payments are expected to begin in October, including arrears back to April 2026. We have taken responsibility for the Fund's long-term future, but we must also listen to the people affected as the reforms take effect.

As the implications of one particular change became clear, officers told us that a sudden reduction in the lump-sum conversion factor could bring forward the retirement of people who still want to serve. This Government listened, discussed their concerns with union representatives, and consulted the Public Service Superannuation Board.

Today, Mr Speaker, I am pleased to announce a major change in how this part of the reform will take effect: the reduction in the lump-sum conversion factor will be phased in, and the cash amount available on 31 March 2027 to officers employed and eligible to retire on that date will be guaranteed if they remain in service. Let me explain why that change was needed and how it will work.

When a public officer retires, they may choose to exchange part of their annual pension for a lump sum paid upfront. The lump-sum conversion factor determines how much is paid for the portion of annual pension they give up.

Mr Speaker, the significance of this provision is clear from the choices public officers make at retirement. Between 2020 and 2025, approximately 1,000 members retired from the public sector, and 90% chose to receive some level of lump-sum payment. For most retiring officers, the lump-sum conversion factor has a direct bearing on the cash available to them as they begin their retirement.

For more than four decades, the lump-sum conversion factor was fixed in legislation at 11.5. It stayed at that level even while the Fund's financial position deteriorated. That fixed figure imposed costs the Fund could no longer responsibly carry. Leaving that provision untouched would have undermined the very reform this Honourable House passed to secure public officers' pensions. The law was therefore changed so that the lump-sum conversion factor could be adjusted following an actuarial review and consultation with the Public Service Superannuation Board.

Mr Speaker, the Government's actuaries have shared that if the lump-sum conversion factor were changed to match the funded status of the PSSF, then the lump-sum conversion factor would need to move from 11.5 to 5.75 in April 2027. Honourable Members will appreciate what that meant for someone exchanging the same portion of annual pension: the cash paid upfront would have fallen in half in a single step. For officers eligible to retire by 31 March 2027, that raised a practical question: if I continue serving, will I receive a smaller lump sum than if I retire before the change?

We heard directly from public officers and their union representatives. The concern also came through staff meetings, departments, and representatives of senior officers. The risk of early departures under the wider reforms was voiced publicly as well. These officers had earned the right to retire, but many still wished to give Bermuda more years of service.

We also had to consider what Bermuda would lose if experienced officers felt pressed to retire next March. When a teacher leaves a school, pupils and colleagues feel the loss. When a long-serving officer retires, a department loses years of knowledge and guidance. A wave of departures across the service would be felt by the public as well.

Mr Speaker, this is a responsive Labour Government and thus the Cabinet considered a revised approach, which we then discussed with union representatives before consulting the Public Service Superannuation Board. The Board agreed to both the phased change and the guarantee for eligible officers.

Honourable Members will recall that the wider reform was never an overnight switch. Changes to retirement ages, pension calculations and contributions are being phased in between now and 2035. Public officers need time to adjust to changes of that scale. Changes to the lump-sum conversion factor should follow the same gradual approach, especially when so many officers make a lump-sum choice at retirement.

Mr Speaker, let me now set out the two decisions. First, the lump-sum conversion factor will remain at 11.5 on 1 April 2027; it will not fall to 5.75. Required changes will instead be phased in over time, alongside the other pension changes this Honourable House approved last year. The lump-sum conversion factor will be reviewed every two years by the Minister in consultation with the Board, with the aim of reaching a level that reflects the Fund's financial position by 2035.

Mr Speaker, the second decision protects public officers who are employed and eligible to retire on 31 March 2027. If they continue serving, the cash value of the lump sum they could have received on that date will be protected until they retire, regardless of what the lump-sum conversion factor may be in the future. If their later calculation is higher, they will receive more. The guarantee is for that cash amount, not the 11.5 lump-sum conversion factor for future years. This Government will bring the necessary amendment to the Public Service Superannuation Act 1981 to give that guarantee the force of law.

Officers who are not yet eligible to retire on 31 March 2027 will still benefit from a gradual transition. They will have more time to understand how the changes may affect their own retirement. As always, an officer who elects to receive a lump sum takes an upfront payment in exchange for a smaller annual pension. An officer who takes their full pension without a lump sum is not affected by a change to the lump-sum conversion factor.

The Ministry of Finance will provide written guidance and answers to common questions, make the updated pension calculator available, and hold further information sessions. Officers with questions about their personal circumstances may contact pensionreform@gov.bm.

Mr Speaker, the Fund's course had to change. Last year this Government brought the difficult decisions to this Honourable House. We have worked with unions and listened to public officers as those changes take effect. When officers showed us that the pace of this change could take experienced people out of the service before they wished to go, we adjusted it.

To the public officers who are employed and eligible to retire on 31 March 2027, I give this assurance: the cash amount of the lump sum you could receive on that day will remain protected if you continue in service. Whether you retire a year later or many years later, you will not receive less than that protected amount.

Mr Speaker, in closing, this Government believes this is the right way to carry this important reform forward: strengthening the Fund for those who depend on it, while making adjustments to ensure that Bermuda's public service can retain the experience it needs.

Thank you, Mr Speaker.