

In Confidence

Minutes of a meeting of the Public Sector Pensions Authority (PSPA) held at 09.30 a.m. on Wednesday 14 March 2012 in the OHR Board Room, Goldie House, Douglas.

Present: Mr J Carter (Chairman)
Mr A Cannan, MHK (Vice Chairman)
Mr D Butt, MLC
Mr E Holmes
Mr A Shipley

In Attendance: Mr I T Murray
Mr I W C Burnett

Apologies: None.

Minute No	Minute	Action
15/12	PSPA Board Member Training <p>The Board agreed to take the Training Session ahead of the remainder of the Agenda.</p> <p>In accordance with the Board's previous determination that short training sessions would be included at the beginning of each Board meeting, (minute 9/12 refers) the Chief Executive delivered a presentation regarding the background to and progress of the Isle of Man Government Unified Scheme, (GUS). This included the background to the original and subsequent proposals that resulted in the final design of GUS, as well as a summary of the provisions provided to Scheme Members. The presentation concluded with the responsibilities that the PSPA has in relation to GUS.</p> <p>During the presentation the Board sought clarification as to whether a more accurate cash flow model would be provided, and it was confirmed that this work would be carried out once scheme members had made their choices and joined their respective sections.</p> <p>It was confirmed that the design of the scheme was intended to make public sector pensions more affordable for Government to maintain. However, this was not a quick fix, but would be achieved over the course of time, and with the help of ongoing valuations and cost sharing reviews.</p> <p>The Board sought clarification as to whether pension contributions were paid into the Public Sector Pensions Reserve or into General Revenue. The Board noted that currently contributions are paid into General Revenue. However, it agreed that at some future date it may recommend to the Council of Ministers that contributions should be paid into the Pensions Reserve.</p>	

The presentation concluded with an update on the numbers of decision forms that had been returned and the Board noted that there were approximately 2,000 of the original 7,500 outstanding. The Board considered a number of options for communicating with scheme members who had not completed their option forms, and agreed a press release should probably be prepared and circulated to the Board for consideration prior to being issued. The Chief Executive confirmed that he would liaise with the Press Office within Chief Secretary's Office on this matter for guidance.

The Board also requested that each member of the Board be provided with a short summary of the contribution rates for GUS in comparison with current schemes, in order to assist with any discussions that may be had with scheme members or other interested parties.

16/12 Minutes

The minutes of the meeting of 8 February 2012 were approved and signed.

17/12 Matters Arising

The Board noted that the Corporate Identity, approved at the meeting of 8 February (**minute 05/12 refers**) had now been approved by the Council of Ministers.

The Board noted that the Work Permit for the Chief Executive had been approved by the Work Permit Committee for a further two years.

18/12 Public Sector Pensions Authority – staff appointments, new Terms & Conditions

The Board considered a memorandum dated 5 March 2012 from the Chief Executive seeking the Board's agreement to the terms and conditions of appointment of Members of Staff to the PSPA from 1 April 2012.

The Chief Executive commented that he had incorrectly noted in the memorandum that few PSPA staff were union members, but he had now had it confirmed that over 50% of the staff were members of the Government Officers Association. Notwithstanding this, the Board noted a recommendation that the PSPA should not recognise a Trade Union for any collective bargaining purposes as in appointing the staff of the PSPA:

- civil service terms and conditions would apply to its staff, including the granting of any future salary increases negotiated via the civil service JNC;
- The staff of the Board was considered to be too small a group to warrant independent collective bargaining; and
- unless there were compelling reasons to do otherwise (which will be subject to consultation with staff) any changes made to civil service regulations in the future will automatically apply to PSPA staff.

The Board sought clarification as to how any grievances or issues which may arise would be dealt with in the absence of a collective bargaining

arrangement. It was confirmed that this was already done though open discussions during monthly staff meetings, as well as through an 'open door policy' exercised by the Chief Executive. The Board noted that if a grievance was in relation to the Chief Executive this would be addressed directly to the Board.

The Board sought clarification in relation to any member of staff who transferred from the Authority to another employer. The Board noted that the accrued rights for staff transferring from the Civil Service to the PSPA would be maintained. However, it considered that members of staff should be made aware that similar arrangements may not be in place if a member of the PSPA's staff sought employment elsewhere in Government.

It was agreed that this would be brought to the attention of the proposed staff of the PSPA as they considered the terms of the transfer to the PSPA.

The Board noted the need for separate Disciplinary regulations for PSPA staff, given that they did not fall under the Civil Service Commission or the Civil Service Appeals Tribunal in cases of dismissal. The Board noted the revised two stage process for any dismissal and right of appeal.

Before agreeing to the Disciplinary regulations, the Board sought clarification that these were based upon those in place for the Civil Service. It was confirmed that the proposed regulations had been reviewed by the Office of Human Resources and were considered appropriate for the PSPA. However, it was agreed that these would be further reviewed to ensure that they broadly followed those in place for the Civil Service.

Following further consideration the Board agreed:

- the PSPA would not recognise a Trade Union for collective bargaining purposes (for the reasons outlined above);
- the proposed appointments to the PSPA, subject to the agreement of staff of the proposed terms of transfer and appointment and letters should be issued at the earliest opportunity;
- the proposed disciplinary regulations would be subject to further consideration to ensure they broadly follow those in place for the Civil Service.

19/12 Delegation of Functions

The Board considered a memorandum dated 5 March 2012, from the Chief Executive, updating the Board with regard to the delegations of functions from the Board of the Public Sector Pensions Authority ("PSPA") to its Chief Executive and other Officers to enable the PSPA to fulfil its statutory obligations and if content to agree to the recommendation made therein.

It noted that one of the proposed members of the PSPA staff would be on a two year fixed term appointment, and therefore would remain on secondment from the Civil Service.

The Board therefore agreed that the delegations currently in place, (**minute 04/12 refers**) remain effective until such time as there are no Civil Servants on the staff of the PSPA.

20/12

Corporate Governance

The Board considered a memorandum and accompanying draft documents dated 5 March 2012, from the Statutory Compliance Officer, concerning the following:

- Statement of Internal Control;
- Risk Register;
- Register of Members' Interests; and
- Complaints Register

The Board noted that these documents followed Corporate Governance principles and practice in place across the public service. In addition it noted that a number of these documents were currently under review and may be subject to change.

The Board noted that it was responsible for the majority of Public Sector Schemes, including Teachers, Police and the Judicial Schemes, as well as GUS.

The Board noted that the high Risk Rating for the Teacher's Pension Scheme was in relation to a delay in implementing proposed contribution changes arising in the UK for the Teacher's Pension Scheme, rather than a risk to the Scheme itself, and this was due to competing priorities in relation to GUS.

The Board agreed that the Risk Register would be considered at each monthly Board meeting.

The Board sought clarification of what should be included in the Conflict of Interest Documents, and agreed that these would be completed and returned to the Chief Executive by all members.

The Board noted that there were currently two complaint cases which had been received by the administration team, and that these were currently at Stage One of the complaints procedure.

After further consideration the Board approved the proposed:

- Statement of Internal Control;
- Risk Register;
- Register of Members' Interests; and
- Complaints Register.

21/12

PSPA Business Plan

The Board considered a memorandum and accompanying draft Interim Business Plan dated 5 March 2012, from the Statutory Compliance Officer.

The Board noted that the format of Business Plans across Government was currently under review by the Chief Secretary's Office. The Board agreed that whilst the format may be determined centrally, it was for the Authority, as an Independent Body established under statute to manage and administer public sector pensions, to determine what its priorities were and to advise COMIN accordingly.

The Board noted the proposed longer term work proposals, but considered

that the immediate priority had to be the implementation and consolidation of GUS.

After further consideration, the Board approved the Interim Business Plan for the PSPA.

22/12 Public Sector Pension Schemes – Isle of Man Government Unified (Amendment) Scheme 2012

The Board considered a memorandum dated 5 March 2012, and accompanying draft scheme, from the Chief Executive, regarding the Isle of Man Government Unified (Amendment) Scheme 2012.

The Board noted that this amendment scheme sought to clarify a number of provisions under the Unified Scheme, approved by Tynwald in June 2011.

This scheme sought to confirm the PSPA as managers of the Scheme, and to permit Firefighters to join the scheme. In addition it clarified a number of areas of detail which had arisen as a consequence of the negotiated implementation and as a consequence of the implementation of systems and processes.

It was noted that it was proposed that this would be submitted to the April sitting of Tynwald.

After further consideration, the Board approved the draft Isle of Man Government Unified (Amendment) Scheme 2012, and agreed that this would be signed by the Chairman shortly, and thereby made, once a signature ready copy had been prepared.

23/12 Public Sector Pension Schemes - Bulk Transfer Regulations

The Board considered a memorandum dated 5 March 2012, and accompanying draft scheme, from The, Deputy Chief Executive, regarding the Miscellaneous Public Sector Pension Schemes Bulk Transfer Regulations 2012.

The Board noted that under GUS, Tynwald had previously approved that the value of members' benefits earned to date were to be protected on transferring from their current scheme to GUS. Therefore, the Bulk Transfer Scheme provided that those arrangements were in place both in the Unified Scheme and under existing schemes, before any transfer of accrued benefits takes place.

The Board noted that it was proposed that this would be submitted to the April sitting of Tynwald, and that the Vice Chairman would be taking the legislation through Tynwald. It was confirmed that a full briefing and additional supporting documentation would be provided to the political representatives on the Board for this scheme, as well as the other schemes, due to be laid before the April sitting of Tynwald.

After further consideration, the Board approved the Miscellaneous Public Sector Pension Schemes Bulk Transfer Regulations 2012, and agreed that this would be signed by the Chairman shortly, and thereby made, once a signature ready copy had been prepared.

24/12

Public Sector Pension Schemes - Interim Compensation Scheme 2012

The Board considered a memorandum dated 5 March 2012, and accompanying draft scheme, from The, Deputy Chief Executive, concerning the Interim Compensation Scheme 2012.

The Board noted the background to this scheme, in particular that Compensation arrangements were not specifically provided for in GUS. Therefore, as part of the implementation of GUS, that current compensation arrangements would be maintained for a period after April 2012.

In order to maintain the current arrangements for a period as agreed, transitional rights needed to be introduced for a period of time, which allowed access to provisions based upon those currently in place, and that the transitional period would be no less than one year, but up to a maximum of three years from 1 April 2012.

The Interim Compensation Scheme therefore sought to put these arrangements in place.

It was clarified that this scheme sought to maintain the current rights for scheme members and did not seek to diminish nor enhance them in any way. It was confirmed that, whilst the agreed transitional period was for a period of at least one year, but no more than three, the scheme did not contain a 'sunset' clause, to ensure that should the preparation of future proposals not be concluded in the timescales, scheme members would not be left without any provisions. It was confirmed, however, that this was considered as one of the key priorities for the PSPA working alongside HR colleagues once GUS had been implemented.

It was noted that this Scheme may come under close scrutiny by Tynwald, and it was therefore agreed that a presentation should be prepared for Members of the Legislature to take place on Monday 16 April at 1 pm, prior to the April sitting of Tynwald.

After further consideration the Board approved the Interim Compensation Scheme 2012, and agreed that this would be signed by the Chairman shortly, and thereby made, once a signature ready copy had been prepared.

25/12

Public Sector Pension Schemes – Injury Benefit Scheme 2012 – Consultation

The Board considered a memorandum dated 5 March 2012 and accompanying draft scheme, from the Deputy Chief Executive, regarding the draft Injury Benefit Scheme 2012.

The Board noted that this scheme proposed to allow access to provisions based upon those currently in place for a transitional period of no less than one year, but up to a maximum of three years in a similar manner to the Interim Compensation Scheme. The Board therefore considered that this was a further Interim Scheme, and should be entitled as such.

It was clarified that this scheme sought to maintain the current rights for scheme members, and did not seek to diminish nor enhance them in any way.

After further consideration, the Board agreed that consultation should be

carried out on the draft Interim Injury Benefit Scheme 2012.

26/12 Public Sector Pensions Authority (PSPA) – ill-health early retirement process

The Board considered a memorandum dated 5 March 2012, and accompanying draft process document, from the Chief Executive, concerning the process for approving the payment of ill-health early retirement benefits and for the appeals process under the Government Unified Scheme (GUS) from 1 April 2012.

The Board noted that this process had been drawn up with the assistance of the Department of Health's Occupational Health Physician and had been subject to wide informal consultation and discussion with employers and unions. The original proposals had been amended in line with some of the feedback received during that consultation.

It was confirmed that if scheme members required assistance in completing the claim form, this would be provided both by the employer and if necessary the staff of the PSPA or the Occupational Health Physician.

The Board considered an element of the proposed process in relation to a comparable job, and in particular the salary relating to a comparable job. The Board wished to ensure that the process did not significantly affect a member by placing them in a comparable job, but one which was paid at a much lower level than their previous employment.

After due consideration, the Board considered that the wording of the process document provided sufficient safeguards to prevent this happening.

The Board approved the proposed Ill-Health early retirement Process.

27/12 Agree dates of future meetings

The next meeting of the PSPA Board will be held on Wednesday 11 April 2012, at 09.30 a.m.

Any other Business

28/12 Teachers and Police Pension Schemes

The Board noted that proposals for changes to the contribution levels for Police and Teachers Schemes had been published by the UK. However, owing to the workload relating to the implementation of GUS and its associated schemes, this would not be progressed by the PSPA until after GUS had been implemented.

It was noted that to introduce these schemes, there would be the requirement to draft and consult upon any amending regulations and this would probably result in contribution increases not being affective until later in the year but that contributions may be backdated to 1 April 2012.

29/12 Temporary Appointment of Unified Scheme Actuary - FD8 Waiver

At its February meeting the Board approved the appointment, on a temporary basis, of the scheme actuary for GUS. **(Minute 06/12 refers)**

It was confirmed that the previous agreement, and tendering waiver, to this appointment had been between the Unified Scheme Steering Group and

Treasury. However, because this was now being progressed by the PSPA, re-confirmation was required from Treasury that no formal tender was necessary under Financial Direction 8 and therefore the PSPA should seek a Waiver to that regulation on behalf of the Authority.

The Board noted that this was being progressed.

The meeting closed at 12.55 pm

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Chairman

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Date