

In Confidence

Minutes of a meeting of the Public Sector Pensions Authority (PSPA) held at 09.30 a.m. on Wednesday 11th April 2012 in the OHR Board Room, Goldie House, Douglas.

Present: Mr J Carter (Chairman)
Mr A Cannan, MHK (Vice Chairman)
Mr D Butt, MLC (arrived 10.10 a.m.)
Mr E Holmes
Mr A Shipley

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

Apologies: None.

Minute No	Minute	Action
30/12	Minutes The minutes of the meeting of 14 th March 2012 were approved and signed.	
31/12	Matters Arising Gus Contribution Rates The Chief Executive confirmed that he had circulated a short paper regarding the member contribution rates within GUS to the Board (Minute 15/12 refers) Union Recognition The Chief Executive confirmed the numbers of staff who were members of the Trade Union (Minute 18/12 refers). The Chief Executive confirmed that he was not previously aware of the Code of Conduct on the Recognition of Trade Unions, that it had not been brought to his attention during his discussions with colleagues in the Office of Human Resources and that it had not been brought to his attention until the members of the Board made him aware of it. The Chief Executive confirmed that he and the Chairman had met with the Union Prospect to outline the arrangements in place for the appointment of Staff of the PSPA, in that their terms and conditions would be based upon those in place for Civil Service, and that the PSPA did not wish to put in place separate collective bargaining arrangements for a small group of staff. The Chief Executive confirmed that Prospect had indicated that it was content with these arrangements, but had requested that, if any change was made to these arrangements in the future, these would be discussed with Prospect before any change was made. The Board was content with these	

arrangements and requested that this be confirmed in a letter to Prospect.

Declarations of Interest

The Chief Executive requested that any outstanding conflicts of Interest forms (**Minute 20/12 refers**) were completed by the members of the Board and returned to him.

A Fire alarm sounded at 9.55 a.m. and the meeting was adjourned.

The meeting reconvened at 10.10 am, and Mr Butt joined the meeting.

Tynwald Presentation

The Chief Executive confirmed that a briefing to Members of Tynwald on the Interim Compensation Scheme 2012, The Isle of Man Government Unified (Amendment) Scheme 2012 and the Miscellaneous Pension Schemes Bulk Transfer Regulations 2012 would take place at 1 p.m. on Monday 16 April 2012, (**Minute 24/12 refers**). The Chief Executive confirmed that this would form the basis of the Training for this month's meeting.

The Board sought clarification as to whether, owing to the amount of paperwork involved, the documentation had been delivered to the Chief Secretary's Office within the required timescales. The Chief Executive confirmed that the deadlines had been met and the paperwork was delivered on time.

The Board raised its concern that the collation of Scheme documentation and Board papers was being completed by the Authority's Executive, and considered that this should be completed by Administrative Support Staff. The Chief Executive outlined that at the current time there was no available Administrative support within the Authority to fulfil this function as all of the Administrative staff were involved in the administration of Pensions.

The Board requested that the level of Administrative work being carried out by the Executive was monitored, and consideration be given as to whether some level of Administrative support could be put in place.

Scheme Actuary

The Chief Executive confirmed that an FD8 waiver was being sought from Treasury in relation to the appointment of Scheme Actuary, (**Minute 29/12 refers**).

32/12 PSPA Board Member Training

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 Board agreed to take the Training Session ahead of the remainder of the Agenda, with the subject being the Tynwald Presentation concerning the legislation being progressed by the PSPA at the April sitting of Tynwald.

The Chief Executive confirmed that Mr Cannan would host the presentation, and give a short introduction. The Chief Executive would then present the main part of the Presentation. The Chairman confirmed that he would attend

the presentation.

The Chief Executive confirmed that the presentation would last between 20 to 25 minutes and would be followed by the opportunity for questions. The Chief Executive ran through the proposed slides and presentation covering each of the three pieces of legislation.

Following the presentation, it was confirmed that with regard to the Amendment Scheme, this had been initially drafted by UK pension specialist lawyers.

The Board confirmed that it was content with the proposed content of the slides and presentation.

33/12 Risk register review

The Board reviewed the Risk Register and noted that there had been no change to the level of risks during the month since the register was last reviewed.

The Board made no changes to the levels of risk attributed to each risk on the register, and it was noted that those risks which had been addressed or related to events that had passed were listed at the end of the register.

34/12 Confidentiality

The Board considered and noted the contents of a memorandum dated 2 April 2012, from the Chairman and the Chief Executive, reminding the Board of confidentiality issues in connection with Board matters. No further comment was made.

35/12 Teachers and Police contribution rate increases

The Board member aligned to the Association of Teachers and Lecturers declared an interest in this matter and offered to absente himself from this part of the meeting. After due consideration the remaining members of the Board agreed that his insight into the Teachers Scheme would be beneficial to its discussions and therefore agreed that he did not need to absente himself.

The Board considered the memorandum dated 26th March 2012, from the Chief Executive. The Board noted that the paper focused upon the contribution increases which had been made to the equivalent UK Teachers and Police Pension Schemes. The Board noted that the Teachers and Police Schemes were outside of the Unified Scheme because the terms and conditions for these employment groups were linked to those in place in the UK. It had been confirmed, in particular for Teachers, that if these employment groups were to join the Unified Scheme there would need to be agreement that their Terms and Conditions of Employment, as well as their pension arrangements, would need to break the link with the UK. It was noted that this was unlikely to be supported by the Teaching Unions.

The Board noted that if contributions were to be introduced from 1 April 2012, this would require contributions to be backdated once the amending scheme was made. The Board raised concerns that whilst the employing authorities for these employment groups and Treasury wished the change in contribution to be introduced from 1 April 2012, as it was the PSPA that was

progressing the amending legislation to the schemes, the focus of any discontent by employees may be focussed on the Authority. However, the Public Sector Pensions Act 2011 required legislation to be drafted and consulted upon before it could be made.

After further consideration the Board agreed to the:

- Drafting of appropriate contribution increase legislation;
- Backdating of contribution increases to 1 April 2012;
- Commencement of consultation with interested parties once the appropriate legislation had been drafted.

36/12

Isle of Man Government Unified Scheme 2011 – past service conversion terms

The Board was in receipt of the Actuarial report prepared by Hymans Robertson concerning past service conversion terms and a memorandum on the same from the Chief Executive.

Mr Peter Summers, a Partner and senior actuary from Hymans Robertson, joined the meeting at 10.35. The Board welcomed Mr Summers.

Mr Summers summarised the report going through each section and highlighting the key areas for consideration. The Board noted that one of the key drivers for the introduction of the Unified Scheme was to bring about simplification in Public Sector Pension arrangements, and by moving scheme members from 15 schemes into one, this had been achieved. However, before members benefits could be converted from their old scheme into the new scheme, a certificate needed to be obtained from the Scheme Actuary confirming that the conversion terms were fair to members. The converted benefits have been certified to be "broadly, no less favourable", so providing protection for affected members. In summarising the report, Mr Summers went through the work, methodology and assumptions that had been carried out in considering each aspect for the report.

Mr Summers concluded that having reviewed the conversion terms, an actuarial certificate had been provided confirming that the past service conversion terms will provide members with converted benefits that are, broadly, no less favourable than their existing accrued benefits.

Mr Summers confirmed that this work was carried out, as agreed, in accordance with the principles of actuarial professional guidance.

The Chairman expressed the Board's thanks for the presentation and acknowledged the work that had been put into delivering the very detailed report.

Mr Summers left the meeting.

The Board acknowledged that actuarial work for the Unified Scheme and in particular, the confirmation of the conversion terms was a very complex area. The Board noted that a final draft of the report had been considered in detail by the Unified Scheme Project Steering Group. The Board also noted that each scheme member had received a personalised illustration setting out their scheme benefits for past service, which had used the conversion terms set out in the report.

It was clarified that those members joining the scheme on 1 April 2012 had, in the main, decided to join the Protected Section of the Scheme.

After further consideration of the memorandum from the Chief Executive and the accompanying actuarial report the report approved:

- The past service conversion terms report;
- The bulk transfer of members at an appropriate time;

The Board also agreed that a short information paper should be submitted to the Council of Ministers on this subject.

37/12 Public Sector Pension Schemes – appointment of medical advisers for the Isle of Man Government Unified Scheme 2011

The Board considered a memorandum dated 26 March 2012, from the Chief Executive and the accompanying proposal document from Atos Health Care regarding the appointment of medical advisers for the Isle of Man Government Unified Scheme.

The Chief Executive gave a brief summary of the discussions and other communications which had been undertaken with the providers outlined in the paper. The Chief Executive also confirmed the definition of gainful employment to the Board.

After further consideration the Board approved the appointment of Atos Healthcare as medical advisers to the PSPA in connection with ill-health early retirements and injury benefit awards.

38/12 Public Sector Pension Schemes – appointment of Auditors

The Board considered a memorandum dated 29 March 2012, from the Finance Manager concerning the appointment of auditors for the PSPA.

The Chief Executive summarised the tender process which had been followed. The Chief Executive outlined that the appointment of Auditors put in place a higher level of scrutiny in relation to the management and administration of public sector pension schemes, and provided an extra level of protection for scheme members.

The Chief Executive highlighted that in appointing external auditors, the Authority would need to ensure that there was no conflict with the audit reports produced for Treasury in relation to Public Sector Pension Schemes, but rather that the Auditors would need to work with Treasury when providing their reports.

The Chief Executive also circulated a report from the Procurement Team of Treasury which summarised the Procurement process and it was noted that this report recommended that Price Waterhouse Coopers be appointed. The Board noted that this report supported the recommendations set out in the memorandum from the Finance Manager.

After further consideration, the Board approved the appointment of Price Waterhouse Coopers (PWC) as auditors to the schemes managed by the PSPA.

39/12 Public Sector Pension Schemes – payment of employer contributions into the Isle of Man Government Unified Scheme 2012

(GUS)

The Board considered a memorandum dated 26 March 2012, from the Chief Executive, concerning employer contributions. The Board noted that Treasury had requested that the Authority approve the continuing percentage payment of employer contributions in place into GUS from each Employing Authority.

After due consideration, the Board agreed that Employing Authorities should continue to pay their current level of employer contributions on commencement of GUS and that Treasury should be advised accordingly.

40/12 Agree dates of future meetings

The next meeting of the PSPA Board will be held on Wednesday 9 May 2012, at 09.30 a.m.

Any other Business

41/12 Statutory Boards Training Day

The Chief Executive confirmed that the induction day for members of Statutory Boards was Friday 27 April 2012 and would be held in the Barool Suite of the Legislative Building. All Board members confirmed their attendance at the event.

42/12 Training for May meeting

The Board agreed that the training session preceding the May meeting of the Board would cover actuarial work/requirements in public sector pension schemes.

The meeting closed at 12.25 p.m.

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Chairman

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Date