

In Confidence

Minutes of a meeting of the Public Sector Pensions Authority (PSPA) held at 09.30 a.m. on Wednesday 9th May 2012 in the PSPA Meeting Room, Goldie House, Douglas.

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

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

Apologies: Mr D Butt, MLC

Minute No	Minute	Action
43/12	Minutes The minutes of the meeting of 11 th April 2012 were approved and signed.	
44/12	Matters Arising <ul style="list-style-type: none">• Minute 36/12 – Isle of Man Government Unified Scheme 2011 – Past Service Conversion Terms Council of Ministers Paper. The Board noted that a paper concerning Past Service Conversion Terms paper had been received and noted by the Council of Ministers.• Minute 38/12 – Appointment of Auditors The Board noted that the appointment of Price Waterhouse Coopers (PWC) as the PSPA Auditors was subject to contract, and that discussions were still ongoing between PWC and Attorney General's Chambers regarding the finalisation of contracts. The Board requested that, once the contract had been finalised, PWC be invited to meet with the Board to present their views on the methodology to be adopted for schemes accounts and that PSPA staff should also meet with Treasury to review possible conflicts around the audit methodology.• Minute 39/12 – Payment of Employer Contributions The Board noted that Treasury had been informed that there would be no change in Employer Contributions for the foreseeable future in relation to GUS.	

45/12 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 received a short presentation concerning the role of Actuaries, and in particular to their role in relation to Pension Schemes.

The areas covered in the presentation were:

- The definition of an Actuary;
- What an Actuary does in practice;
- What qualities an Actuary needs;
- The different areas Actuaries work in;
- Outline of a Pensions Actuary
- An actuarial example in relation to Pension Schemes
- The Actuary's role on GUS; and
- What the PSPA's responsibilities are in relation to actuarial advice.

46/12 Isle of Man Government Unified Scheme 2011 (GUS) – actuarial factors for voluntary member options

The Board considered a memorandum dated 26 April 2012 from the Chief Executive, and accompanying report from Hymans Robertson as Scheme Actuary dated April 2012 entitled "Isle of Man Government Unified Scheme 2011 – Factors for Voluntary Member Options". The memorandum sought approval for the recommended approach, assumptions and calculation of actuarial factors relating to the following members' benefits:

- Early and late retirement benefits for deferred members of previous schemes,
- Trivial commutation of pensions;
- Augmentation of benefits;
- Transfer of benefits into and out of the Scheme.

Peter Summers, actuary from Hymans Robertson, dialled in for this item at 10.55. The Board welcomed Mr Summers.

Mr Summers summarised the report going through each section and highlighting the key areas for consideration, and which factors were being recommended to the board for use within GUS.

Mr Summers outlined the assumptions that had been used in establishing the proposed factors, and confirmed that these could be reviewed at the first valuation in light of actual experience.

Mr Summers confirmed that he considered the risk to the Board, in relation to adoption of the factors, was low, in particular as the Board had sought advice and a report from the Scheme Actuary as required.

Mr Summers confirmed that, subject to the Board's approval, detailed factors would be provided to the administration team within the PSPA.

After further discussion on a number of technical aspects of the report, the

Board thank Mr Summers for his comprehensive report, and taking the time to explain some of the detail behind the recommendations contained within it.

The call with Mr Summers ended at 12.10

The Board noted that a number of the assumptions within the report were based upon UK experience. However, with regard to, in particular Transfers, given that the majority were to or from UK Schemes and that the PSPA was required by statute to monitor UK Schemes, the Board considered that the report provided an appropriate basis for the factors to be used within GUS.

The Board therefore approved the following recommendations:

- i. the actuarial factors recommended by the Scheme Actuary in the report dated April 2012 and entitled "Isle of Man Government Scheme 2011 – Factors For Voluntary Member Options";
- ii. that the new factors should be implemented under GUS with effect from 1 April 2012;
- iii. that the staff of the PSPA should liaise with Hymans Robertson to obtain the detailed factors in the format required;
- iv. that the factors should be reviewed and updated after each formal actuarial review (which would normally take place at four-yearly intervals);

In approving the recommendation made in the report and summary paper the Board requested that:

- Transactions using each of the factors were monitored and reviewed at regular intervals to build up details of actual experience under GUS; and
- That once the early retirement factors were received, details were placed upon the PSPA's website for the information of deferred members.

47/12 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 noted that a number of the identified risks from the previous month had lapsed, as the work they related to had been completed. The Board noted that those risks which had been addressed or related to events that had passed were listed at the end of the register.

In relation to Risk 5, the Board noted that as the funding for additional administration support work had been approved by Treasury, this risk could be removed from the register.

The Board sought clarification as to what level of involvement and responsibility it held in relation to the finances of the PSPA. It was agreed that the Board should receive a financial report for consideration at the same time as it considered the Performance Reports at the end of each quarter.

48/12 Statutory Board Induction Training Day

The Board discussed the Statutory Board Training event held on 27th April

2012 and attended by Board members, its Chief Executive and Secretary. The Board considered that, in light of the presentations made at the event, few changes should be made to the way business was conducted by the PSPA.

The Board noted that in future, PSPA staff members who had authored particular Board papers would be invited to attend the Board meeting to provide a verbal briefing in support of the relevant papers.

The Board agreed that in future:

- Minutes from the Board meeting would be circulated in draft for comment prior to inclusion in the following month's agenda; and
- Members would be contacted before the agenda for each Board meeting was finalised, seeking to establish if any additional items should be included in the agenda for the next meeting.

50/12

Isle of Man Government Unified Scheme 2011 (GUS) and other schemes for police and teachers – additional voluntary contribution arrangements

The Board noted a memorandum dated 25 April 2012 from the Chief Executive, and accompanying member information pack, concerning the new group personal pension facility with Aviva for payment of additional contributions to be made available to members of both GUS and other schemes for police and teachers.

The Board noted the different options that had been considered prior to the Aviva arrangement being recommended and noted the competitive 1% annual management charge contained in the proposal from which commission would be paid to MAC Financial, the independent financial advisers who had set up the arrangement on behalf of the PSPA. The Board further noted that there were no exit fees in relation to any member who ceased the arrangement before the maturity of the product.

The Board also noted that it had an ongoing responsibility to review the competitive nature of the arrangement (though not the investment choices made by members) on a regular basis and that this should be done annually with the help of MAC Financial.

After further consideration, the Board approved the use of the Aviva group personal pension arrangement via MAC Financial.

53/12

Review of Compensation and Injury Benefit Provisions for Public Servants

The Board consider a memorandum dated 1 May 2012 from the Deputy Chief Executive setting out the proposed approach for progressing the review of Compensation and Injury Benefit provision for the Public Service.

The Board noted the proposed approach was to establish a Steering Group made up of Officers and Scheme member representatives to work up revised proposals. The Board did not oppose the proposal, but in considering the makeup of the Steering Group, it directed that the role of members of the PSPA must only be in a Technical Advisory capacity within their separate negotiating bodies and not as sitting members of the PSPA.

The Board agreed that it would be inappropriate for any of its Board Members to be part of any Steering Group due to potential conflicts of

interest.

The Board also noted that the Vice-Chairman and Union representative Board members may have a conflict, given that they would, as Board Members, have to consider and approve any new or amendment scheme whilst, as part of the Collective Bargaining arrangements, would also be responsible for negotiating such changes.

It was agreed that this would be reviewed once progress had been made in relation to the proposals and if considered necessary, legal advice should be sought from the Attorney General's Chambers.

After further consideration, the Board formally gave its support to the Office of Human Resources in its proposals to:

- Form a Steering Group, made up of representatives of each of the JNC Groups, OHR and Treasury;
- For the Steering Group to engage in round table discussions, seeking to jointly review current provision and develop proposals with a view to seeking agreement to any change with the representatives of all JNC groups, prior to reverting formally back to the JNCs for formal discussion/approval;
- Consult with the Council of Ministers at an early stage on the proposal to form a joint Steering Group to engage in round table discussions and that the PSPA should work with OHR to prepare a suitable paper for Council's consideration.

Agree dates of future meetings

The next meeting of the PSPA Board will be held on 13 June 2012, at 09.30 a.m.

Any other Business

54/12 Actuarial Procurement

The Board noted that an invitation to tender for the role of Scheme Actuary for both GUS work and other future actuarial support was being finalised. The Board noted that it was considered that a number of respected actuarial firms would tender for the position.

In considering the interviewing process, the Board considered that it would be appropriate for the Chairman to sit as part of the appointment panel.

55/12 Scope of Government Report

The Board noted that an updated report into the Scope of Government had been published by the Council of Ministers.

The Board noted that the report lacked any detail in relation to the effects some of the proposals may have upon employees' public service pensions, or the associated pension costs that may be applicable to some of the proposals.

The Board also noted that specific reference was made to the costs of the current compensation arrangements.

The Board noted that if any of these proposals were progressed there would

be a requirement for the PSPA be involved in the pensions aspects of any changes.

56/12 Local Government Scheme

The Board noted that the Chief Executive had been requested by the Department of Infrastructure to provide a briefing paper, outlining some of the issues that may need considering if Local Authority Employees were to join GUS.

The Board requested that the briefing paper be circulated to Board members.

57/12 Teachers and Police Scheme Changes

The Board noted that draft regulations that provided for the introduction of contribution increases, and for these to be backdated to 1 April 2012 were being finalised.

The Board noted that PSPA staff were meeting with the Chief Secretary's Office and the Department of Home Affairs to discuss a number of issues which had come to light through recent discussions.

The Board requested that a similar meeting be arranged with the Department of Education and Children, and if possible that PSPA staff meet with Education Union representatives to set out the current proposals.

The Board agreed that the Chief Executive should write to all Chief Officers and Heads of Boards and Offices highlighting that, any changes to Terms and Conditions for employees concerning pensions or related superannuation arrangements, must be referred to the PSPA for consideration before they are progressed.

The meeting closed at 1.10. p.m.

.....

Chairman

.....

Date