

In Confidence

Minutes of a meeting of the Public Sector Pensions Authority (PSPA) held at 09.30 a.m. on Wednesday 13th June 2012 in the PSPA Meeting Room, Goldie House, Douglas.

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

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

Apologies: Mr A Shipley

Minute No	Minute	Action
58/12	Minutes The minutes of the meeting of 9 th May 2012 were approved and signed.	
59/12	Matters Arising <ul style="list-style-type: none">• Minute 44/12 –Appointment of Auditors The Board noted that discussions relating to the appointment of Price Waterhouse Coopers (PWC) as the PSPA Auditors were ongoing. PWC has raised concerns relating to unlimited liability clauses in the contract and in addition considered it was unable to provide the two separate strands to the contract - (i) Audit Work and (ii) Training and advice for the Board and PSPA Staff - as PWC considered this would present a conflict of interests. The Board noted that the Procurement Team, of Treasury, who were responsible for the contract discussions, had concluded that the contract should be split into two separate contracts, one providing the Audit Work and the other the Training and Advice element and therefore were in the process of organising a mini re-tender exercise. These two contracts should be delivered within the same costs envelope as the original contract. The Board noted that as the first set of Audited Accounts were not due until after the end of March 2013, there was still time for the contracts to be finalised and the work completed. The Board, whilst noting that the contract negotiations were the responsibility of the Procurement Team, expressed its concern that a similar experience must not arise during the appointment process for the PSPA's Actuary.	

- **Minute 46/12** – Actuarial Factors for voluntary member options – (securing of detailed factors).

The Board noted that these factors had been provided and were being implemented. However, they would be reviewed every three to four years, in line with scheme valuations, as recommended by the Scheme Actuary, unless experience indicated they required an earlier review.

- **Minute 48/12 – Statutory Board Induction Training Day -** (agreed actions).

The Board noted that the Minutes and draft Agenda had been circulated for comment ahead of the finalisation of the Board meeting Agenda. It was agreed that this should continue in the future.

- **Minute 56/12 – Local Government Scheme.**

The Board confirmed that the scoping paper, regarding the possible inclusion of the Local Government Scheme in GUS, had been circulated. The Board noted that the Department of Infrastructure had received the paper and confirmed it would comment in due course.

- **Minute 57/12 – Teachers and Police Scheme –** (Letter to Chief Executives)

The Board noted that a letter had been sent to Chief Executives and Heads of Departments and Boards, confirming that the PSPA was responsible for the management and administration of Public Sector Pensions and therefore any changes made to terms and conditions that may make changes to pension provisions should be discussed with the PSPA in the first instance.

60/12 PSPA Board Member Training

The Board received a short presentation concerning a proposed COMIN Presentation which covered proposed objectives for the PSPA for the short, medium and long term.

It was agreed that the Presentation should be given to COMIN and not only to the Chief and Treasury Ministers. It was also considered that, given the time constraints that usually applied to presentations to COMIN, the presentation would need to be condensed.

The Board also requested that a slide showing anticipated cost savings following the introduction of GUS and other scheme amendments should be included. In addition, a slide should be included that set out what the PSPA's obligations were under the Public Sector Pensions Act, and how these were being met.

61/12 Risk register review

The Board reviewed the Risk Register and noted the addition of four additional risks relating to:

- Manual Workers No.1 Scheme;
- Operational Changes to the Unified Scheme;
- Administration of GUS; and
- Budgetary constraints.

The Board added an additional risk relating to the possible difficulties that may arise as a consequence of the introduction of a new payroll system across Government.

The Board enquired as to whether PSPA staff were receiving adequate training in order to administer the Unified Scheme. It was confirmed that a comprehensive training programme in relation to the Unified Scheme and new administration system had been put in place and that this was progressing well. Furthermore, by focusing on far fewer schemes, the administration complexities that used to exist had been greatly reduced.

62/12

Public Sector Pension Schemes for Police and Teachers – Contribution Changes

The Board noted a memorandum and draft regulations dated 4 June 2012 from the Chief Executive regarding increased contributions for the Police and Teachers' Schemes, and that consultation upon the draft regulations is due to commence shortly.

The Chief Executive and Director of Finance and Research of the Department of Home Affairs joined the meeting at 10.30 in order to discuss the proposed Scheme of Amendment, and in particular the proposal to back dated contribution increases for the Police to 1 April 2012.

The Chief Executive outlined that the Department of Home Affairs had had budget cuts of £3m from a budget of £32m, and resources for the Police had been reduced by £600K. In addition, the Police were in the second year of a pay freeze, and morale was therefore at a low ebb. The Department therefore requested the PSPA withhold the increases in contributions until 1 April 2013. If this were possible, the proposed increases, which are scheduled to be introduced over a three year period, would be introduced over a two year period with a higher rate of contribution put in place from April 2013.

The Chief Executive considered that if these backdated contributions were progressed it could lead to members of the Police Force resigning.

The Director of Finance and Research commented that the Police Act may not allow backdating of contributions if it left police officers financially "worse-off", although the Pensions Act 2011 did allow for this.

The Board enquired as to the view of both the Police Federation and the Minister for Home Affairs. The Chief Executive confirmed that the Minister was supportive of delaying the introduction of the contribution increases, but that a view from the Federation had not yet been obtained, but would do so if that would assist the PSPA. The Chief Executive was requested to seek the Federation's views at the Tripartite meeting on 25 June 2012, and in particular:

- if the contribution increases were delayed how members would feel by having a larger increase imposed over two years; or
- a smaller increase, introduced from August 2012, backdated to 1 April 2012, thereby spreading the total increase over a longer period of time.

In addition

- if contribution increases were introduced this year, whether the Federation would agree to a shorter consultation period in order to

introduce the contribution changes at the earliest opportunity, and thereby reducing the amount of arrears that would be payable.

The Department agreed to do this, and the Chief Executive and Director of Finance and Research left the meeting at 10.55

After further consideration, the Board concluded:

- that a strong enough case had not been made by the Department to delay the implementation of increased contributions from 1 April 2012;
- that whilst it was mindful of the morale issue which the Department had raised, the Board considered this was an employer issue rather than a Pensions issue, and it was the PSPA's role to manage and administer Public Sector Pension Schemes on behalf of the Government;
- that if it did agree to a delay this would set a precedent for other employment groups who may face contribution increases in the future;
- that before consultation commenced, the views of Treasury and the Council of Ministers should be sought.

63/12 Public Sector Pension Schemes: Superannuation (Manual Workers) (No 1) Scheme 1973 – contribution changes

The Board considered, a memorandum dated 16 May 2012 from the Chief Executive seeking approval for the drafting of appropriate legislation and subsequent consultation in respect of an increase in contributions for members of the Superannuation (Manual Workers) (No 1) Scheme 1973 from 1.5% to 5% phased over a period of four years. This would be a lower rate of contribution than for equivalent Manual Workers under GUS due to the fact that members of this scheme were not contracted-out and therefore paid higher national insurance contributions.

Being mindful of the increases in contributions that have been introduced across the Public Service in both the Isle of Man and the United Kingdom, the Board agreed to the proposed increase.

The Board requested that, before a draft scheme was consulted upon, given the small number of members in the scheme, a meeting should be offered to all members of the scheme and their representatives to outline the proposed increases.

64/12 Review of Compensation and Injury Benefit Provisions for Public Servants

The Deputy Chief Executive gave a verbal update regarding the proposed approach on progressing the review of Compensation and Injury Benefit provision for the Public Service.

The Board noted that the Office of Human Resources had sought the views of the Attorney General's Chambers in relation to the proposed approach agreed by the PSPA at its previous meeting. (**Minute 53/12 refers**).

The Attorney General's Chambers had advised that, as the PSPA was responsible for these schemes this review should be conducted by a committee set up by the PSPA under the Statutory Boards Act 1987, as

opposed to an ad hoc working group set up by the Office of Human Recourses. However the remit and the approach could remain as had previously been discussed. In setting up a Committee, it would therefore require a Board Member to be a member of that committee.

The Board also noted that in the view of the Attorney General's Chambers, this would not pose a conflict of interests for those members of the Board who were also members of the negotiating mechanisms for changes to staff terms and conditions.

After further consideration, it was agreed that the Board member who would sit on the Committee should be a political representatives, and it was agreed that the Vice Chairman would Chair the Committee.

The Board requested that draft Terms of Reference and procedures for the committee were prepared for its consideration at the next Board meeting after which the committee would be formally set up to progress the work.

Agree dates of future meetings

The next meeting of the PSPA Board will be held on 25th July 2012, at 09.30 a.m.

Any other Business

66/12 Interim Injury Benefit Scheme –

The Board noted that the consultation on the Interim Injury Benefit Scheme had closed, with very few comments being received. The final scheme would be prepared for the Board's consideration at its next meeting.

67/12 Actuarial Services -

The Board noted that, following adverts both on the Island and in the UK, six actuarial organisations had expressed an interest in tendering for the provision of Actuarial Services to the PSPA. It was noted that none of the firms were based in the Isle of Man.

The Board noted that it was hoped that the closing date for receipt of written tenders would be completed by mid July, with interviews taking place shortly thereafter.

The Chairman confirmed he would be in attendance during the interviews, work commitments permitting.

The meeting closed at 12.05 p.m.

Chairman

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Date