

In Confidence

Minutes of a meeting of the Public Sector Pensions Authority (PSPA) held at 09.30 a.m. on Wednesday 15 August 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 L I Singer, MHK

Minute No	Minute	Action
68/12	Minutes The minutes of the meeting of 13 th June 2012 were approved and signed.	
69/12	Matters Arising Minute 44/12 – Appointment of Auditors The Board noted that the detail of the contracts for audit work had been agreed, and a meeting was being arranged between Price Waterhouse Coopers, (PWC) the Attorney General’s Chambers and the Procurement Team to secure final ratification. However, this could not be completed until the Senior Partner at PWC returned from Annual Leave. In relation to the Audit Advice contract, a mini tender had been conducted by the Procurement Team, which closed on Monday 13 August 2012. An update was expected from Procurement within the next week. Whilst the Tendering exercise had taken some considerable time, the Board noted that as audit work was not due to commence until April 2013, the contract would be agreed and in place in good time for this work to commence, and was therefore not a cause for concern. Minute 56/12 – Local Government Scheme The Board noted that, if the PSPA were to assume responsibility for the Local Government Scheme or Local Government Scheme members were to move into GUS, Treasury considered that the Department of Infrastructure would need to meet any additional costs that might arise. The Department of Infrastructure were currently considering future options for the Local Government Scheme, which may include a request for the PSPA to provide administrative services for the Scheme. A further meeting was being held with the Department in the near future. Minute 67/12 – Actuarial Services The Board noted that a tendering exercise had been conducted with a view to securing actuarial services for the PSPA. The Board noted that as part of	

this exercise tenders had been invited from organisation both on and off the Isle of Man. None of the Isle of Man based actuarial firms had submitted a tender or had expressed an interest.

Following receipt of the tenders, four companies were short listed and asked to deliver a technical presentation to an assessment panel, which included the Chairman, Chief Executive and Finance Manager of the PSPA and a representative from the Treasury Procurement Team.

Presentations were received from:

- Aon Hewitt;
- Barnet Waddington;
- The Government Actuary's Department; and
- Hymans Robertson.

It was noted that all four companies provided specialist actuarial services to the UK Public Sector, and each of the organisations presentations were of a high standard.

It was noted that the costs proposed by the Government Actuary's Department were considerably higher than those of the other three companies.

In relation to the remaining three, it was noted that Hymans Robertson had worked for the last five years with the Isle of Man Government and thereby had an in depth knowledge of how the Isle of Man Government worked. In addition, Hymans Robertson had assisted in the development of the Unified Scheme and had a detailed understanding of the majority of Isle of Man and UK public sector schemes. Through its work with the Isle of Man, Hymans Robertson already held much of the data that would be required for actuarial work. As a consequence, it was considered this may provide some cost savings against the fees that were quoted by competitors.

It was therefore recommended that Hymans Robertson be appointed to provide the PSPA with Actuarial Services, which, subject to discussions with Treasury, may be for between three and five years.

The Board enquired that if Hymans Robertson were appointed would there be a possibility of a local presence on the Isle of Man. It was considered that given the economies of scale, and the way actuarial work required frequent peer review, this was unlikely in the foreseeable future.

After due consideration the Board considered that as Hymans had been instrumental in the development of the Unified Scheme, which had only recently been implemented, and given that it had a detailed working knowledge of the Isle of Man public sector and its schemes, by appointing Hymans, this would provide continuity to the work currently being progressed by the PSPA. The Board therefore approved the appointment of Hymans Robertson, subject to contract. The Chief Executive and Finance Manager will now progress the appointment with Treasury Procurement Team.

70/12 PSPA Board Member Training

Mrs Kath Brondon, Deputy Director – Operations for the PSPA, joined the meeting at 10.30 a.m.

The Board received a presentation from The Deputy Director – Operations regarding the Administrative Operations within the PSPA.

The presentations set out the core values for the Administration Operations of the PSPA, which included giving value for money, meeting regulatory requirements, seeking to exceed customer service expectations and requirements, educating and empowering scheme members and working collaboratively across government.

The presentation gave a brief overview of the various aspects which made up administrative operations which included further detail on:

- the collation, validation, recording and reporting on data;
- the calculation and settlement of claims;
- systems management;
- the Administration Team's strategy; and
- member communications.

Following the presentation, the Deputy Director provided a verbal update on the progress of converting passed service and transferring scheme members into the Unified Scheme. The Board noted that a recent audit had been carried out by Treasury's Pay Roll team and the Administration Team of the PSPA and had identified that of the 7,500 members who had been transferred into GUS, there were 140 (1.9%) members who had been placed into the wrong Section of the scheme. Work was being progressed to rectify this position, and the affected scheme members would be written to in order to correct their payment of contributions. Union representatives would also be updated.

The Board considered that in the circumstances, whilst it was regrettable that these members had been placed in the wrong section, given the magnitude of the task that had been undertaken, it was understandable that errors may occur and that a figure of 140 was in the circumstances quite low.

The Board thanked the Deputy Director for both the presentation and the update.

Mrs Brondon left the meeting at 11.35 a.m.

71/12 Risk Register Review

The Board reviewed the Risk Register, and noted the changes that had been made since it was last reviewed.

The Board requested that, in relation to risks that involved possible conflicts of interest for Board members, a guide be prepared for its consideration on how conflicts of interest were identified and addressed in the future.

The Board noted that discussions were still ongoing with Treasury in relation to PSPA funding for future project work and ad hoc tasks, such as four yearly funding valuations.

After further consideration, the Board requested that the way the risk register was presented be reviewed so that it was easier to assess in the future.

72/12 Public Sector Pension Schemes: Superannuation (Manual Workers) (No 1) Scheme 1973 – contribution changes

The Board noted a letter, dated 3 July 2012 to Treasury requesting that the erroneous increase in contributions, which had been made following the introduction of the Unified Scheme, were corrected and that overpaid contributions were refunded to members of the Superannuation (Manual Workers) (No 1) Scheme 1973. The Board noted a letter received from Treasury dated 17 July 2012, confirming that the position would be corrected.

It was confirmed that the corrective action had been completed.

The Board noted that, despite the error that had been made by payroll, work to progress an increase in members' contribution rate up to 5% would still continue. The first step would be a meeting with the members of the scheme to outline the PSPA's planned approach to this work.

The Board also noted that this scheme was a contracted in scheme, which required members to pay higher national insurance contributions, and therefore the 5% contribution level took account of this when compared with other Manual Workers who were paying 7.75% to protect their previous benefits. Mr Holmes advised that he would return to the Chief Executive with some views on arranging a meeting with scheme members.

73/12 Review of Compensation and Injury Benefit Provisions for Public Servants

The Board ratified its approval to the Terms of Reference, regarding the review of Compensation and Injury Benefit provision for the Public Service which were previously approved via correspondence, (as a consequence of the July meeting being postponed).

It was noted that the first meeting of the Committee was due to take place on 6 September 2012.

74/12 Interim Injury Benefit Scheme 2012

The Board ratified the making of the Interim Injury Benefit Scheme 2012, which had previously been approved via correspondence, (as a consequence of the July meeting being postponed).

The Board noted that the scheme was made on 6 August 2012 and would be laid before the October Tynwald by the Vice-Chairman.

75/12 Review of PSPA policy for members retiring from the Government Unified Scheme 2011 (GUS) who then wish to return to work

The Board considered a memorandum dated 2 July 2012, from the Chief Executive regarding a policy on re-employment of retired members of GUS such that their retirement pension is unaffected.

The Board noted that prior to the introduction of the Unified Scheme, there were differing approaches to re-employment of pensioners, which for Civil Servants, included possible abatement of their pension if they returned to work. However, the design of the Unified Scheme had removed abatement, given that in order to receive pension benefits, members of GUS had to leave all eligible employments since it was considered that pension benefits were to support people in retirement and not to supplement their income.

The Chief Executive outlined that increasingly, employers were seeking guidance on the effect of re-employing pensioners after their retirement, and in some cases there were examples of staff retiring on one day, claiming their pension and returning to work in the same role the following day.

The Board noted the recommendation made in the paper, and agreed in principle with the proposed approach. However, the Board considered that this was an HR, rather than a pension, issue and therefore was not one that the PSPA should 'police'.

The Board declined to endorse the policy, but considered that a letter should be sent to the Civil Service Commission outlining the PSPA's concerns in relation to its view that the re-employment of pensioners was undermining the principles of the Unified Scheme.

76/12 Public Sector Pension Schemes for Police – Contribution Changes

The Board consider a memorandum regarding the consultation upon the Police Pensions (Amendment) Regulations 2012. In addition the Board considered two letters received as part of the consultation feedback, including one from the Police Federation.

The Chief Executive outlined the actions that had been carried out leading up to the consultation, which included Council of Ministers and Treasury endorsement for the introduction and backdating of increased contributions and confirmation of proposed actions with Attorney General's Chambers in respect of queries raised regarding Police Regulations. It also included meetings held, and subsequent joint working with, the Department of Home Affairs in preparing the Consultation notice, and the Department's confirmation of discussions regarding the Consultation with the Police Federation. This included the content of the consultation document and the proposed curtailed timescale of the consultation process.

The Board noted the extensive efforts that had been made to assist the smooth running of the consultation, and the engagement of the Department. The Board additionally noted that the consultation feedback from the Police Federation had been received just before the close of the consultation period. However, it had still been received within the prescribed timescales.

After further consideration, the Board requested that a meeting be arranged between the Board and the Police Federation so that it may discuss directly the concerns raised by the Federation in its letter before progressing this matter further.

The Board further requested that a Consultation Protocol outlining how consultations would be carried out be drafted for its future consideration.

77/12 Public Sector Pension Schemes for Teachers – Contribution Changes

The Board noted that in relation to the consultation upon increased contributions for the Teachers Scheme, that a number of responses had so far been received, and that the consultation period ended on 21 September 2012.

In addition, the Board noted that a meeting had been arranged for it to meet with representatives of the Teaching Unions on 14 September 2012.

Any other Business

78/12 Ill Health Processes

The Board received a verbal update regarding the work that had been progressed by the Staff of the PSPA with colleagues in the Office of Human Resources in order to assist OHR’s understanding of the Ill Health process and how benefits could be claimed. This work had been carried out following a certain level of resistance from certain areas of Government to the revised Ill Health process.

79/12 Ill Health – Role of ATOS

The Board received a verbal briefing regarding the role of ATOS in the PSPA’s ill health process and the work ATOS did with the Department of Social Care in regard to the assessment of eligibility for Social Security Incapacity Benefits. A member of the Board had previously requested that, as these areas of work seemed similar in nature, whether there was the possibility of achieving some cost savings.

The Chief Executive confirmed he had written to ATOS seeking its views on the same. ATOS had responded outlining that these were two distinct and separate areas of work, that required very different assessment methods, which included, in relation to social security benefits, the final decision resting with a Civil Servant rather than a health specialist. In addition, under the terms and conditions of ATOS’s contract with the Department of Work and Pensions in the UK, it was required to keep these two areas of work separate from one another. Therefore ATOS did not consider that there were any synergies in the two areas of work that could lead to cost savings.

80/12 Pension Awards

The Board noted that the Isle of Man Government Unified Scheme had been shortlisted for the Public Sector Pensions Scheme of the Year Awards by the industry trade publication “Professional Pensions”. This award was in relation to the work carried out in implementing the scheme as opposed to the quality and level of benefits the scheme provided.

The Board noted that the winner of the award would be announced at the Award Ceremony to be held in London which would be attended by a Member of the Board and members of the PSPA Executive Team.

The next meeting will be held at 09.30 am on 19 September 2012.

The meeting closed at 13.10 p.m.

Chairman

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Date