

In Confidence

Minutes of a meeting of the Public Sector Pensions Authority (PSPA) held at 09.30 a.m. on Wednesday 19 September 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

82/12 Minutes

The minutes of the meetings of 15th and 22 August 2012 were approved and signed.

83/12 Matters Arising:

Minute 69/12

Appointment of Auditors

The Board noted that the contract for the appointment of the PSPA's auditors was now with Price Waterhouse Coopers for signature.

Local Government Scheme

The Board noted that the Department of Infrastructure had met with the Chief Executive requesting that the PSPA gives consideration as to how it may be able to support the Department in its capacity as Scheme Manager of the Local Government Scheme. The Chief Executive advised that PSPA staff were currently considering what options may be both suitable and achievable, given current workloads, and that once this was complete a briefing paper would be prepared for the Board's consideration.

The Board noted that Treasury had advised that any additional support provided by the PSPA to DOI would have to be funded by the Department and would not attract additional funding from Treasury.

Actuarial Services

The Board noted that all of the tendering organisations had been written to regarding the outcome of the tender exercise and that the Attorney General's Chambers were preparing a draft contract for Hymans Robertson's consideration.

Minute 72/12 – Manual Workers No.1 Scheme 1973

The Board noted that an anomaly relating to the scheme design and pre 1997 contracted-out status of the scheme had been identified and until that this was resolved, it was recommended that further work regarding the increase in

contribution levels should be postponed.

Minute 73/12 – Review of Compensation and Injury Benefits

The Board noted that the first meeting of the Compensation and Injury Benefits Working Group had taken place, during which an agenda for going forward had been agreed. The Board noted that Compensation and Injury Benefits would be considered separately, with compensation benefits being reviewed first. It was also noted that a paper had been circulated following the meeting setting out a summary of the current position and considerations for taking the review forward.

The Board considered that before the next meeting a view should be sought from the Council of Ministers in order to establish the parameters which the review should work within.

The Board noted that the next meeting of the Working Group was due to take place on Thursday 11 October 2012.

Minute 74/12 – Interim Injury Benefit Scheme

The Board agreed that, as the Chief Executive was absent in October, the Interim Injury Benefit Scheme 2012 should be submitted to the November sitting of Tynwald.

Minute 75/12 – Policy on GUS members Returning to work

The Board noted that, following August's meeting, the Chief Executive had written the Chief Officer of the Office of Human Resources (OHR) concerning formulating a policy on retired members of GUS returning to Work. The Chief Executive confirmed that OHR were considering a general policy on the recruitment of retired public servants for submission to the Council of Ministers.

The Board was requested to note that whilst abatement of pension on return to work was not made under GUS, this presently continues to apply to members who had retired under their former schemes before the introduction of GUS.

Minute 76/12 – Police Contribution Changes

The Board noted that the contribution increase for members of the Police Scheme had been actioned by the payroll team, with the first increased contributions being deducted from September's pay.

Before Considering the Matters arising relating to the Teachers Pension Scheme, the Board considered that, as one of its members was a representative of a Teaching Union it should consider the draft Conflict of Interest Protocol.

84/12 Public Sector Pensions Authority – Conflict of Interest Protocol

The Board consider a memorandum and draft document dated 11 September 2012, from the Chief Executive, regarding a proposed Conflicts of Interest Protocol.

It was noted that the protocol was based upon the terms set out in the Governance Statement approved by the Board, at its February meeting, but included more detail as to what action should be taken when a conflict was identified.

It was noted that it included a recommendation that Conflicts of Interest become a standing item for each Board meeting which should be considered ahead of the main agenda for the meeting.

It was agreed that the Attorney General's Chambers should be written to outlining

that subject to any views to the contrary being expressed that the PSPA would adopt the Protocol.

85/12

Matters Arising:

Minute 77/12 – Teachers Consultation

Mr Shipley raised a potential conflict of interest given his membership of both the Teachers Pension Scheme and his membership of the Association of Teachers and Lecturers.

After due consideration, the Board determined that as no decisions were being made during this meeting, in relation to the Teachers Scheme, that Mr Shipley's input would prove valuable during the course of its discussions.

A letter, received from the Joint Teaching Unions was circulated, which the Board noted and agreed would form part of the Consultation and would be considered at the close of consultation.

The Board confirmed the decision, taken during a meeting with the Teaching Unions, to extend the Consultation period by one week to Friday 28 September 2012.

The Board considered that the majority of the discussions held during the meeting with the Trade Unions, as well as a considerable proportion of the feedback received so far related to Terms and Conditions issues which should be discussed with the Department of Education and Children rather than the PSPA. The Board agreed that it must not get involved in such discussions as it was outside of the Authority's remit.

The Board noted that following a suggestion, made during the Trade Union Meeting, that the Teachers scheme was self funding, figures had been obtained to clarify the position. The Board noted that the figures showed that over the last four years income of £30.8m had been received whilst payments £41.1m had been made. The Board also noted that figures prepared by the Government Actuary's Department (GAD) for Isle of Man Government accounts showed that GAD had estimated that the 'true contribution level for the benefits received under the scheme was 28.1% of salary. Currently the combined employee/employer contributions received amounted to around 20% of salary. In addition, GAD had calculated the total liability for the Scheme to be £314m.

The Board agreed that these figures should not be published at this time, but would form part of the consultation feedback.

The Board agreed that it would meet on Friday 28 September at 2.30pm to consider the consultation feedback that had been received and to consider the next steps.

86/12

PSPA Board Member Training – Quarterly Performance Report

The Board considered the Administration Operations Report for the first financial quarter ending 30 June 2012. The Board expressed its gratitude for receipt of the report which it considered assisted with its understanding of many of the matters for which it was responsible.

The Board noted the cash flow figures contained within the report and requested that in future, figures for Compensation and Injury Benefit payments should be

separated out from other award payments. The Board also requested that employee and employer contributions each quarter should be shown separately if possible.

The Board noted that the report was based upon current Service Level Agreements which were in place prior to the formation of the PSPA, but that these were currently under review.

87/12 Risk register review

The Board considered the Risk Register and noted that it had been reformatted.

The Board agreed that during each meeting it would consider the High and Medium rated Risks.

The Board noted the risk relating to key members of staff and discussed whether the PSPA Executive had sufficient support to enable it to carry out its primary functions, and not become involved in administrative duties. Following the discussion, the Board recommended that consideration be given to preparing a standalone business case to Treasury seeking additional support staff for the Executive.

88/12 Public Sector Pensions Authority – Pay Settlement

The Board considered a memorandum from the Chief Executive, dated 11 September 2011 and approved that the pay settlement for the Civil Service be applied to the staff of the Public Sector Pensions Authority.

The Board confirmed that while the terms and conditions of PSPA Staff remained aligned to those for the Civil Service any future pay awards should be automatically applied without referral to the Board.

It was agreed that this would be confirmed to Treasury.

89/12 Public Sector Pensions Authority – Consultation Protocol

The Board considered a memorandum and draft document dated 11 September 2012, from the Chief Executive, concerning a proposed Consultation Protocol.

The Board noted that a number of the proposals were based upon pensions legislation that covered disclosure of information and contracting-out. The Board considered that it supported much of the communication practices that the PSPA had in place.

After due consideration, the Board approved the Consultation Protocol and that it should be adopted with immediate effect for all future consultations.

90/12 Public Sector Pensions Authority – Scheme Governance

The Board consider a memorandum dated 11 September 2012, from the Chief Executive recommending the establishment of Joint Working Groups and draft Terms of Reference for:

- Isle of Man Government Unified Scheme;
- Police Pension Scheme;
- Teachers Pension Scheme; and
- Manual Workers No.1 Scheme.

The Board noted that the proposals were based upon best practice identified in UK Public Sector Pension Schemes.

The Board was advised that given that the small numbers of members in the Manual Workers No.1 Scheme, and that the scheme's benefits were similar to those for section 2 members of GUS, this Working Group would be formed as a 'sub-set' of the GUS Working Group.

The Board sought further detail on the proposals that the Working Groups be at Officer Level. It was confirmed that the Groups would be made up of Officers from Employers, the PSPA, and Trade Unions. With regard to Trade Union representation, it was confirmed that any member of the PSPA Board who was a member of these working groups would be so in their union capacity, and not as a representative or member of the PSPA Board.

After further consideration, the Board approved the establishment of the Joint Working Groups.

Any other Business

91/12 Firefighters Service Conversion

The Board noted that prior to the implementation of the Unified Scheme, a change had been made to the commutation factors in the UK Fire Brigade Scheme, which the former Isle of Man Firefighters scheme had been based upon. However, these new factors had not been taken account of by the Scheme Actuaries in calculating the conversion of service for Section 7 (Firefighters) members of GUS.

Advice received from the Actuaries indicated that this could be interpreted as a worsening of Section 7 members past benefits and options for the adoption of the new factors, possibly via an enhanced service conversion for relevant members, should therefore be considered.

The Board noted that further advice would be provided in due course for its consideration by the Scheme Actuaries.

92/12 Ill Health Appeals

The Board noted that the current rules for the Unified Scheme did not include an appeals process for ill health cases, but had been set out in the procedure manual that underpinned the Ill Health Provisions.

The Board considered that this could lead to future legal challenges, and agreed that it should therefore be included in the next Scheme Amendment.

The next meeting will be held at 2.30 pm on 1 November 2012.

The meeting closed at 12.15 pm

Chairman

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Date

