

In Confidence

Minutes of a meeting of the Public Sector Pensions Authority (PSPA) on 17 July 2013 in the PSPA Meeting Room, Goldie House, Douglas.

Present: PSPA

Mr J Carter (Chairman)

Mr A Cannan, MHK (Vice Chairman)

Mr A Shipley

In Attendance: Mr I T Murray

Mr I W C Burnett

Apologies: Mr E Holmes

Mr J R Turner, MLC

Minute No Minute

34/13 Minutes

The minutes of the meeting of 15 May 2013 were approved and signed by the Chairman.

35/13 Conflicts of Interest

Mr Shipley declared a conflict of Interest in relation to items concerning the Teachers Pension Scheme.

36/13 Matters Arising:

Letter to the Chief Secretary on Board appointments

At its previous meeting the Board's expressed concern regarding the frequent change of Political Membership of the PSPA Board, (Minute 24/13 refers). The Chief Executive confirmed that he had written to the Chief Secretary highlighting the Board's concern and that the Chief Secretary had been supportive of the Board's position.

The Chief Secretary confirmed that this had not been raised with the Council of Ministers at this time. However, should the Council of Ministers consider further changes in the Political Membership of Department or Boards of Government, the PSPA's Board's concerns would be brought to Council's attention at that time.

Cost Sharing

The Board noted that proposals for the basis of cost sharing in the Unified Scheme had been forwarded to Treasury and would be considered at its meeting to be held on Thursday 18 July. It was noted that subject to Treasury's concurrence with the proposals, these would be forwarded to the Council of Ministers for its consideration prior to consulting upon the proposals and ultimately consideration by Tynwald. It was anticipated these would be laid before Tynwald in the latter part of the year.

Teachers Joining GUS

The Board noted that the Chief Executive had been requested by the Department to deliver a number of presentations to Staff representatives on the UK proposals

for the future changes to the Teachers Pension Scheme, how these may be applied on the Isle of Man and considerations on how Teachers could join the Unified Scheme if it was considered appropriate.

The Board noted that the first of these presentations had taken place. The Board also noted that at this time some of the UK advisers to staff representative organisations considered that the best option would be for Isle of Man Teachers to remain in the Teachers Pension Scheme following the implementation of the UK changes to the Isle of Man Teachers Scheme.

Addition of new risk: Voluntary Resignation Schemes work

The Board noted that this item had been added to the risk register. It was noted that nearly 50 estimates had been processed by the PSPA's staff but that these had been absorbed within current workloads with minimal adverse effect upon service delivery.

It was confirmed that if future voluntary resignation programmes were run, if they were on the same scale as the most recent exercise and the PSPA had co-operation of employers involved it should be able to continue to absorb the increased work within its current capacity. However, should the numbers significantly increase the PSPA may need to seek additional resources from elsewhere.

Review of Compensation Benefits

It was noted that consultation had commenced on the draft Public Sector Compensation Scheme 2013 and that thus far 4 responses had been received.

It was noted that presentations were to be held over the coming weeks, and this may encourage further comments to be made in relation to the proposals.

Police Pension (Amendment) Regulations 2013 & Isle of Man Government Unified Scheme (Amendment) Scheme 2013

The Board noted that Tynwald approval had been received for these two schemes.

Following the raising of a question during the Tynwald debate concerning the effective date of schemes approved by Tynwald, it was confirmed that Schemes made under the Public Sector Pensions Act 2011 become effective once they are made by the Board. However, if they do not receive approval from Tynwald either at the sitting a scheme is laid or the following sitting then the scheme ceases to be effective.

It was noted that interest in public sector pensions had increased amongst some Political Members of Tynwald, and the Board agreed that a meeting should be offered in order to provide a fuller briefing to any concerns these Political members may have.

Public Service Commission Consultation

It was confirmed that the Executive had responded to the Civil Service Commission's consultation, and been informed that its views would be considered.

It was noted that following receipt of the responses a paper had been prepared by the Commission for the Council of Ministers consideration.

37/13

Risk Register Review

The Board reviewed the Risk Register and noted the changes that had been made

during the course of the previous month.

The Board sought clarification, in relation to the risk to the loss of key personnel and continuity planning. The Executive confirmed that owing to the structures process and procedures that were in place, the PSPA Business could continue should the Authority suffer the loss of one or more senior staff.

Deputy Director - Operations PSPA joined the meeting

38/13 x – referral to the Board under Stage 2 of the Public Sector Pension Schemes (Internal Dispute Resolution Procedures) Regulations 2012

Minute not Published.

39/13 Cost sharing initiatives – charging for work in connection with Pension Sharing orders on Divorce, Pension Benefit Estimates and Cash Equivalent Transfers

The Board considered a memorandum dated 21 June 2013 and a further memorandum dated 9 July 2013 from the Deputy Director, Operations, with regard to charging for work in connection with Pension Sharing Orders upon Divorce or Dissolution of Civil Partnerships, Pension Benefit Estimates and Cash Equivalent Transfers.

The Board was advised that these proposals had been included in the cost saving initiatives considered at its meeting on 19 April 2013, at which the Executive was requested to work up further detail of proposals. (**Minute 18/13 refers**).

In relation to charging for the administration of Pension Sharing and Earmarking Orders on Divorce or Dissolution of a Civil Partnership the Board noted that such charges were covered under Section 67 of the Rules of the High Court (Matrimonial Proceedings) 2004, which make the provision for the responsibility of the payment of any costs to be stated in the final Pension Sharing/Earmarking Order.

It was noted that public sector pension administrators in the surrounding jurisdictions charge for this work to be carried out. In establishing what level to charge for this work, consideration had been taken of the charges made in surrounding jurisdictions as well as the Guidelines published by the National Association of Pension Funds.

The Board noted that in the last 12 months 44 cases had been worked, although none as yet had resulted in a Pension Sharing or Earmarking Order.

The Board noted that in order to introduce these charges a fees order would have to be drafted and consulted upon before seeking Tynwald approval.

After due consideration the Board agreed that a fees order should be drafted and consulted upon, along the lines set out in the memorandum. It was agreed that the consultation should include the Isle of Man Law Society.

In relation to charging for Pension Benefit Estimates and Cash Equivalent Transfers the Board noted that this would only be for those estimates that were requested outside of the statutory obligations set out in the Occupational Pension Schemes (Disclosure of Information) Regulations 1996 and the charging structure of The Occupational Pension Scheme (Transfer Regulations) 1996.

It was confirmed that each member would annually receive, at no cost to the member, a benefit statement setting out the benefits accrued to date and the benefits payable at age 65, or an earlier age if applicable. The proposed charging structure was for the provision of hypothetical and multiple pension benefits

estimates and transfer value estimates outside of the PSPA's statutory obligations.

It was confirmed that similar charging structures existed in the surrounding jurisdictions, and that the proposed charging structure was to cover costs, and not to be seen as a money raising mechanism.

The Board noted that in the last 12 months 600 estimates had been provided that had not directly result in a member retiring or leaving.

After due consideration the Board agreed that the costs set out in the memorandum should be included with the proposed fees order.

40/13 Quarterly Performance Report – Quarter 4, 2012/13

The Board received a verbal briefing from the Deputy Director, Operations, with regard to the Quarterly Performance Report for the final quarter of 2012/13, ending March 2013.

It was confirmed that the significant increase in income of £1.18m in March 2013 was due to receipt of the annual payment by the Manx Electricity Board for ongoing costs relating to a previous early retirement exercise.

The Board noted that the increase in the level of lump sum payments being made and thereby lower levels of pensions in payment had the consequential effect of reducing future liabilities.

The Board noted the proposed numbers of Teachers set to leave over the coming year and considered that clarification from the Department of Education and Children should be sought in order to establish if these numbers were correct.

Deputy Director - Operations PSPA left the meeting.

41/13 Presentation from the PSPA Auditors, PriceWaterhouseCoopers

Ian Clague and Leanne Clark joined the meeting.

Mr Clague outlined PWC's role as the PSPA's external auditors, and how this worked in practice. The Board noted the comments regarding the good working relationship that had been developed with the staff of the PSPA as well as with other Government Departments.

The Board noted Mr Clague's concern with regard to how some politicians were awaiting the first set of Audited Accounts with an expectation that this may answer some of the queries that had been raised in recent weeks around public service pension costs. In particular he was concerned that the Audited accounts were backward looking, and therefore would not provide the information that was being sought.

The Board confirmed that that was not a concern for PWC, but rather for the Board's consideration.

Mr Clague summarised the Audit plan that had been agreed, and requested that the plan be circulated to the Board.

Miss Clark outlined some of the work that had been completed to date both within the PSPA and within Treasury Pay Roll Team and Employing Authorities. This work had included an initial 'Controls Report' that had been produced highlighting some of the areas that may require additional processes to be put in place. However, none of the points raised were of a fundamental nature and should not be seen as a cause for alarm.

It was confirmed that PWC were working towards having the completed accounts

with the Board by November, and it was agreed that once they were submitted PWC would be invited to discuss them with the Board.

PWC suggested that although not currently in place, the PSPA may wish to consider confirming on an annual basis the estimated costs for the payment of Pensions and Lump sums to Treasury each year and confirming that sufficient funding will be available to meet these costs.

The Board agreed to give this due consideration.

The Board thanked PWC for attending the meeting.

Ian Clague and Leanne Clark left the meeting

The Board confirmed that it was content with the work that PWC was in the process of carrying out.

It was agreed that the Audit Plan would be circulated to the Board.

The Board noted that until recently an Estimates Process for payment of Pensions had been carried out, but this had been suspended prior to the introduction of the Unified Scheme. It was agreed that this process would be re-instated now that the Unified Scheme had been in place for over 12 months.

42/13 Consultation on a policy for re-employment of public servants after retirement

The Board considered a memorandum dated 24 June 2013 from the Chief Executive with regard to the Consultation by the Office of Human Resources on behalf of the Council of Ministers on introducing a policy on re-employment of public servants after retirement.

It was noted that the proposals closely followed the concerns that the PSPA had previously raised with the Office of Human Resources and it was agreed that a response should be sent to the consultation setting out the PSPA's support for the proposed policy.

43/13 Future Meetings

The next meeting will be held at Friday 13 September 14.00.

Mr Cannan left the Meeting at 16.00 and the Board was no longer quorate.

Any Other Business

Teachers Compensation

The Board noted a letter had been received from the Department of Education requesting that the Compensation provisions in relation to redundancy should be reviewed in the Teachers Pension Scheme, since the provisions which were available in the UK Scheme were not contained within the Isle of Man Scheme having been omitted when the Department managed the Scheme.

After due consideration it was agreed that a memorandum should be circulated amongst the other Board members via e-mail requesting their agreement to a response being sent to the Department setting out that the PSPA was sympathetic to the Department's request, but the Board considers that now would not be an appropriate time to introduce amending legislation to the TPS, in particular given:

1. That teachers' Terms & Conditions may shortly be negotiable on Island;
2. The difficulties anticipated in introducing legislation to maintain the current (UK) position for teachers when the PSPA is currently consulting on changes

to compensation provisions for the majority of the public service; and

3. The fact that teachers have been asked to make a decision in principle about joining the Unified Scheme (GUS) by the end of 2013 and therefore the PSPA's new compensation arrangements may then be applied to teachers if they decide to join GUS.

In addition, the Department should be informed that the PSPA would keep a watching brief on this matter and review the position again at the end of 2013 in the light of the issues highlighted and the progress on those issues in the interim period.

Agreement by e-mail had subsequently been received from a majority of Board members on 24 July 2013.

The meeting closed at 16:10