

## **In Confidence**

Minutes of a meeting of the Public Sector Pensions Authority (PSPA) on 13 December 2013 at 14.00 in the PSPA Meeting Room, Goldie House, Douglas.

**Present: PSPA**

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

Ms K C Brondon

**Apologies:** Mr J R Turner, MLC

**Minute No Minute**

The Board welcomed Ms Brondon and noted that she would be attending the whole of the meeting.

**73/13 Minutes**

The minutes of the meeting of 8 November were approved and signed.

**Conflicts of Interest**

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

**74/13 Matters Arising:**

**Meeting with the Trade Unions**

The Board noted that the meeting with Trade Unions had taken place on Monday 11 November 2013. The Board was informed that the attendees had expressed their appreciation for the establishment of the forum and the opportunity to discuss pension related matters directly with the Officers of the PSPA.

The Board noted that future meeting would be held quarterly and would be scheme specific with a view to discussing specific issues with the relevant Trade Unions as opposed to discussing matters relating to each scheme with all Trade Unions.

The Board noted the items discussed included the current consultations on the proposed Fees Order, Bulk Transfer Regulations and Revocation Scheme. Other items discussed included the rising interest in Self Invested Pension Plans.

**Police Pension Scheme**

At its previous meeting the Board was informed that a request had been made to the Department of Home Affairs as to whether a member of the PSPA Executive could sit, in an observatory capacity, on the Police/Department of Home Affairs Joint Negotiating Body. The Board noted that the Department had not yet confirmed whether this would be possible.

### **75/13 Risk register review**

The Risk Register was reviewed and the changes that had been made since the November meeting of the Board were noted.

The PSPA Finance Manager, Mr Nick Cain Joined the meeting.

### **76/13 Public Sector Pension Scheme Accounts – ‘Going Concern’ statement**

The PSPA Board considered a memorandum, dated 5 December 2013 from the Finance Manager seeking its approval to a ‘going concern’ assessment of all pension schemes the PSPA manages on a ‘global’ basis for the year ended 31<sup>st</sup> March 2013.

The Board noted that Accounting Standards required that accounts be prepared on a ‘going concern’ basis in that there is an assumption that the body being audited will continue to operate for the foreseeable future. As the Schemes operate on an unfunded basis the shortfall between income and expenditure is funded by Treasury. The Board noted that a letter from Treasury had been received confirming this would continue to be the case in the future.

The Board sought clarification of the current level of the Public Sector Pension Reserve Fund, and it was noted that this currently stood at approximately £250m.

After due consideration the Board the Board approved the ‘going concern’ basis of the Schemes.

### **77/13 Public Sector Pension Schemes Reports and Accounts 2012/13**

The PSPA Board considered a memorandum dated 5 December 2013 and supporting documentation, from the Secretary to the Board, regarding the draft Annual Reports and Audited Accounts for the Public Sector Pension Schemes for which the Public Sector Pensions Authority holds responsibility for the year ending 31 March 2013.

The Board confirmed that the Chairman and Vice-Chairman would sign the 11 sets of Annual Reports and Audited Accounts on behalf of the Board.

The Chief Executive informed the Board of the background to the completion of the Audit Report, and in particular that, as this was the first set of Audited Accounts, the process had been time consuming. Price Waterhouse Coopers (PWC) had rigorously scrutinised the activities of the PSPA and the Executive considered that the findings set out in the report should not be a cause for concern but rather an opportunity to tighten up on certain processes and procedures which had already been found to be in generally good order. This was subsequently confirmed by PWC. In particular the audit had shown that the ‘money in’ and ‘money out’ had been found to be correctly accounted for.

The Board noted that in future years the audit process should be easier as it would be based upon the experience gained in the first year.

The Board considered the draft Letter of Representation from the PSPA to PWC. The Board noted that the purpose of the letter was confirmation of the accuracy of the financial statements that the PSPA has submitted to PWC for their analysis and that all material information has been disclosed.

After due consideration the Board agreed that the Letter of Representation could be signed by the Chairman on its behalf.

The Board considered the Completion Report, and noted that that the way it had

been drafted may raise concerns for the 'lay' reader, and in particular that a conclusion may be reached that there were fundamental issues that required addressing. The Executive informed the Board that the nature of the report was such that PWC were required to highlight any issues they found whether of a major or minor concern, and that in broad terms the items identified were not major concerns. The Board noted that a number of the issues identified could have resourcing implications for the PSPA. The Executive confirmed that it would be giving consideration to these issues and determining how to address them.

Ian Clague and Simon Foster of PWC Joined the meeting.

PWC was informed that the Board had approved the going concern basis of the Scheme.

The PSPA provided PWC with the Letter of Representation.

PWC informed the Board that the auditing process had been perhaps more difficult than it anticipated. However, it recognised that this was predominantly down to this being the first audit any of the schemes for which the PSPA had responsibility and that the PSPA's new systems, in particular Compendia, were still bedding in. It was therefore anticipated that the audits carried out in future years would learn from the experience gained in this year's audit.

PWC summarised the findings of the Completion Report and ran through a number of the key points within it.

The Board noted that the format of the report was prescribed by the recognised Auditing Standards. PWC highlighted some of the areas that would require addressing, in particular in relation to Actuarial Factors used for some calculations carried out in schemes based upon UK Schemes.

The Board noted the references to 'Misstatements' and noted that these were considered to be technical in nature as opposed to fundamental errors.

The Board noted the recommendation that a more robust 'Pensioner Existence' mechanism needed developing and implementing.

The Board noted that the liabilities for Public Sector Pensions would continue to grow for the foreseeable future in the opinion of PWC.

After due consideration the Board accepted the Report, noted the contents and recommendations set out therein, and agreed that the Executive would take the report forward on behalf of the Board.

**78/13**

### **Public Sector Report and Accounts 2012/13**

The PSPA considered the set of Annual Reports and Audited Accounts for the following Public Sector Pension Schemes:

- The Superannuation (Officers of Boards) (Isle of Man Electricity Board) Scheme 1960
- The Superannuation (Manual Workers) (No.1) Scheme 1973
- The Superannuation (Manual Workers) (No.2) Scheme 1973
- Isle of Man Electricity Board Manual Workers Superannuation Scheme 1976
- The Superannuation (Traffic Wardens) Scheme 1989
- The Police Pensions Regulations 1991
- Judicial Pension Scheme 1992

- Judicial Pension Scheme 2004
- The Police Pensions Regulations 2010
- Teachers' Superannuation Order 2011
- Isle of Man Government Unified Scheme 2011

The Board noted each Report and Audited Accounts included:

- A PSPA Board report in relation to the Scheme;
- An Actuarial Statement;
- The Independent Auditor's Report;
- The Independent Auditor's statement regarding contributions;
- The Scheme Account; and
- A Net Assets Statement.

After due consideration the Chairman and Vice Chairman of the PSPA signed each report on behalf of the PSPA and Mr Ian Clague signed on behalf of PWC.

The Board thanked PWC for the work that had been undertaken in compiling and finalising the Audit Reports. PWC confirmed that they would follow up with a full de-briefing with the PSPA Executive and would use this to plan for next year's audit process.

Mr Clague and Mr Foster left the meeting.

It was confirmed that in line with Section 10 (2) of the Public Sector Pensions Act 2011 the Report and Audited Accounts would be submitted to COMIN with a view to seeking to lay them before the February 2014 sitting of Tynwald.

### **79/13 Public Sector Compensation Scheme 2013**

The Board received a verbal update in relation to the Public Sector Compensation Scheme 2013.

The Board noted that a paper had been submitted to the Council of Ministers regarding the proposals and draft scheme and that it had indicated its support for the Scheme. The Board noted that the ballot results received so far had shown support for the Scheme.

The Board noted that the Ballot result for Prospect/GOA were not due until 20 December 2013.

The Board also noted that some changes had been made to the final Scheme prior to signature reflecting the Scheme Actuary's input and updating as a result of the final Working Group/Employers' Side meetings and consultation feedback and that the Scheme now reflected the additional concessions agreed by the Employers' Side of the Working Group and ratified by Council of Ministers.

After due consideration the Board approved the Scheme and agreed that the Chairman may sign the Scheme once the results of all Ballots had been received, and on the assumption that the Ballots indicated a general acceptance of the Scheme.

### **80/13 Treatment of Unified Scheme Members with multiple memberships.**

The Board considered a memorandum, dated 2 December 2013 from the Deputy Director Operations, concerning the treatment of Rule 15.3 of the Isle of Man Government Unified Scheme 2013 in relation to employees who hold more than

one post within the Isle of Man Government.

The Board noted the proposal that the PSPA adopt a policy that will allow all employees in multiple concurrent posts to accrue pensionable service determined under their appropriate Terms and Conditions of their post, with no limitations. The Board noted that a maximum pension benefit of 75% of final pensionable pay under the Unified Scheme still remained, thereby limiting the maximum amount of pension a member may receive.

After due consideration the Board approved the recommendation and requested that the Executive:

- a) seek Treasury agreement to the proposal;
- b) Subject to the agreement in (a) draw up a policy to supplement Rule 15.3 and inform all employers of that policy;
- c) Ensure all members are made aware of the policy, drawing particular attention to their options when employed in multiple posts and the overall maximum limit applied to their final benefits upon leaving or retirement.

### **81/13 Public Sector Pensions Working Group**

The Board received a verbal update in relation to the Public Sector Pensions Working Group.

The Board noted that a letter had been sent to the Chief Secretary's Office in line with the concerns raised by the Board at its previous meeting (**minute 72/13 refers**).

The Board noted that the Executive had been requested to assist in the drafting of the Terms of Reference for the Working Group.

### **82/13 Tynwald Members Pension Scheme**

The Board noted that the Chief Executive had been invited to meet with the Tynwald Emoluments Committee in February in order to discuss Cost Sharing in relation to the Tynwald Members Pension Scheme.

### **83/13 Injury Benefit Review**

The Board noted that the next meeting of the Committee reviewing Compensation and Injury Benefits would be held in February, at which work on the Injury Benefit Scheme would commence. The Board noted that the Deputy Director Operations would be taking this forward with the Chief Executive on behalf of the PSPA, and agreed that the Vice Chair would continue to Chair this committee.

### **84/13 Teachers' Pension Scheme**

The Board noted that the Teaching Unions had decided that they wished for the Teachers Pension Scheme to remain aligned to the Teachers Pension Scheme in the United Kingdom.

The Board also noted that a request had been made to the PSPA in relation to Compensation for Teachers, and that a further briefing would be provided at the next Board meeting.

The next meeting will be held at 14:00 on Friday 31 January 2014

**The meeting closed at 15:45**

