

In Confidence

Minutes of a meeting of the Public Sector Pensions Authority (PSPA) on 31 January 2014 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

01/14 Minutes

The minutes of the meeting of 13 December 2013 were approved and signed.

Conflicts of Interest

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

02/14 Matters Arising 8 November 2013:

Minute 74/13 – Police Pension Scheme

The Board noted that the Deputy Chief Executive had been invited to sit on the Police Joint Consultative Committee in an observatory capacity, and that the next meeting of the Committee was due to be held on 12 February 2014.

The Board noted that a response had not been received to a letter sent to the Department seeking the Department's views on the application of the UK Police Pension Reforms.

Minute 77/13 – Public Sector Reports and Accounts

The Board noted that these had been approved by the Council Of Ministers to be laid before the February 2014 sitting of Tynwald.

Under any other Business the Board considered the timing of this year's set of Annual Report and Audited Accounts in relation to the time table for the proposed report by the Public Sector Pensions Working Group, and considered that the production of them should be no later than , but ideally before, the time table followed in this year's audit exercise.

Minute 79/13 – Public Sector Compensation Scheme

The Board noted that the Scheme had been made on 13 January 2014, and was currently seeking concurrence from Treasury prior to being submitted to the March 2014 sitting of Tynwald.

Minute 81/13 – Public Sector Working Group

The Board noted that the remit of the Working Group, which had yet to be finalised, may well be impacted upon by Item 39 on the January 2014 Tynwald Order Paper, which was approved by Tynwald. The Motion included a requirement for the PSPA to conduct valuations of “relevant” schemes, namely the Unified, Police, Teachers, Tynwald Members and Judicial Schemes. The Board noted that whilst the Unified Scheme valuation had been planned, the valuations for the remaining schemes had not been under consideration for the forthcoming operational year, given that they were due to be amended in line with the UK changes to equivalent schemes which were due to be implemented in the UK from April 2015.

In addition, the Board noted that the PSPA did not currently have the required funding to carry out these valuations, and would therefore need to seek additional funding from Treasury.

The Board noted that it held legislative responsibility for advising the Council of Ministers in relation to Public Sector Pensions Policy, but given the motion agreed by Tynwald, there was a possibility that the PSPA may not agree with proposals being put forward by the Working Group. It was agreed therefore that any proposals put to Council by the Working Group should be reviewed first by the PSPA.

The Board noted that the Chief Executive had been invited to be a member of the Working Group and confirmed that it was content for him to act as the link between the PSPA and the Working Group.

03/14 Minute 83/13 – Injury Benefit Review

The Board noted that it was anticipated that the first meeting of the Working Group reviewing Injury Benefits would be held during late February.

04/14 Risk register review

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

05/14 Teachers’ Pension Scheme – compensation arrangements

The Board considered a memorandum, dated 17 January 2014 from the Chief Executive seeking the Board’s approval for the introduction of compensation provisions in respect of Teachers on the Isle of Man.

The Board noted that the Compensation arrangements for Teachers had been previously excluded from the Teachers’ Pension Scheme by the Department of Education and Children, who were previously the Managers of the Isle of Man Teachers Pension Scheme. The Board noted the letter, which had been received from the Department, set out that this had been an oversight, on its part, and requesting that the PSPA implement the Teachers Compensation Arrangements in line with UK provisions.

The Board noted that the new compensation arrangements for the majority of public servants, but excluding Teachers, had been implemented from 13 January 2014. The Board noted that the Compensation arrangements for Teachers provided broadly similar compensation arrangements for Teachers, but that they were at the discretion of the Department and also potentially still included the option of pension enhancement. The Board noted that the Department had indicated that it would not use the discretionary basis of the arrangements and

would apply them in all cases.

On this basis, the Board considered that the best approach may therefore be to include the Teachers in the new Compensation Arrangements, rather than having separate arrangements.

The Board noted that a meeting of the Teaching Unions was due to take place in the near future, and that before reaching any conclusion the Chief Executive should attend the meeting with a view to discuss the various options with the Unions.

06/14 Police and Teachers Pension Reform

The Board received a verbal update on the proposed changes to the Police and Teachers pension Schemes subsequent to the proposed changes made to the equivalent UK Schemes.

The Board noted the proposed provisions for each Scheme. It further noted that draft legislation had been published in relation to the UK Teachers Pension Scheme, but as yet the latest published proposals for the Police Scheme was a Home Office Circular published in November 2013.

The Board agreed that it would continue to monitor developments in the UK before agreeing on how the equivalent changes would be taken forward in the Isle of Man.

07/14 Quarterly Performance Report – Quarter 3, 2013/14

The Board considered the Quarterly Performance Report for the third quarter of 2013/14, ended 30 September 2013.

The Board noted that the amount of money leaving the Schemes in relation to Transfers Out had increased. The Board noted that this was considered to be as a consequence of a number of transfers by members to Self Invested Personal Pensions Policies. The Board noted that arrangements had been put in place by the Executive to ensure members were fully aware of the impact that such transfers may have on their future pension provision. The Board requested that Transfers continue to be monitored going forward.

The Board noted that the number of Optant Outs stood at 15 for the period, but noted that this was mainly due to members who had multiple a posts within the public service.

The Board noted the Cash Flow report that was proved quarterly to Treasury, and requested that this be included in the PSPA Quarterly reports in future.

The Board requested that its appreciation and thanks be recorded for the hard work by the PSPA staff over the past year.

08/14 Public Sector Pensions Administration (Fees) Order 2013.

The Board received a verbal update on the Draft Public Sector Pensions Administration (Fees) Order 2013 following the closure of the consultation.

The Board noted that there were 18 consultation responses in total and that the majority supported the idea in principle that fees should be charged but subject to the fees being "reasonable."

The Board noted that a number of respondents considered that the fees quoted in the consultation, especially with regard to pension sharing and divorce, were too high. The Board further noted that some concern was raised that the charging for

additional estimates by the PSPA could be considered as unwelcome, especially at a time when the Public Service is seeking to 'downsize'.

The Board noted that the proposed charges have been benchmarked against those charged by comparable public sector pension schemes in the UK and fall within the charging guidelines published by the National Association of Pension Funds.

In relation to the proposed charging for estimates, the Board noted that the PSPA will continue to provide an Annual Benefit Statement to active and deferred members free of charge, and that it will provide an estimate of benefits payable upon retirement free of charge to those who are approaching retirement, are approaching age 55 or are considering retirement under a resignation or Redundancy exercise.

The Board considered that the cost of £60 for ad hoc or multiple estimates falling outside of these parameters reflected the cost of preparing such an estimate and are in line with those levied by comparable organisations in the UK.

In relation to the proposed charges for Pensions Sharing or Earmarking for divorce purposes, the Board considered that the PSPA should levy a charge for work in connection with this, particularly as the work involved can be considerable and is unconnected with the individual's employment within Government. However, the Board agreed that the cost be reduced to £2,000.

09/14 Overpayment of Widowers Pension

The Board noted the memorandum, dated 23 January 2014 from the Deputy Director Operations advising the Board of an overpayment of widower's pension and the steps that are to be taken to recover this overpayment.

The Board confirmed that the Attorney General's Chambers had agreed that if required, it would be content to assist in the drafting of any letter being sent to the member.

10/14 Isle of Man Government Unified Scheme 2011 (GUS) – cost sharing

The Board received a verbal update regarding the proposed cost sharing mechanism under the Government Unified Scheme 2011. The Board noted that the proposals had been considered and approved by Treasury in July 2013, that they had been included in the Tynwald Report in October 2013, and had attracted no comment at that stage, and had been considered and approved by the Council of Ministers in December 2014.

The Board noted that the next steps were to draft and consult upon appropriate legislation and discuss at the next quarterly briefing with Trade Unions.

The Board agreed that any work being progressed by the Public Sector Pensions Working Group should not delay or prevent these measures being taken forward.

Any Other Business

11/14 PSPA Pay Award

The Board noted that PSPA Staff would receive a pay award equivalent to that agreed for the Isle of Man Civil Service, and that this would be paid in the coming financial year.

The Board noted that although funding was tight, the PSPA had sufficient funds to cover the pay award.

12/14

Civil Service Redundancy and 40 Years Service

The Board noted the Civil Service Commission's policy for certain employees who could achieve 40 year's service before age 60, but over age 55, and upon retirement these employees received pension based upon an age 60, Section II, accrual rate in the Unified Scheme.

The Board noted that some Civil Servant considered that under the new compensation scheme if they were made redundant before they had achieved 40 years service, they could use the option to purchase additional service, to increase their service to 40 years, and thereby receive a pension at a higher accrual rate than that appropriate to their age at retirement.

After due consideration the Board did not consider that this was appropriate, and that those members should achieve 40 years service whilst in Active Service in order to benefit from the higher benefits.

The Board requested to be kept apprised of this matter should it arise again in the future.

13/14

Bribery Act

The Board noted the contents of Section 13 of the recently approved Bribery Act, and agreed that a policy should be drawn up in relation to the PSPA, which took account of the current register of Members Interests that were in place for the PSPA.

Date of next meeting

It was agreed that the next meeting would take place at 2 pm on Friday 21 February 2014.

The meeting closed at 15:55