

In Confidence

Minutes of a meeting of the Public Sector Pensions Authority (PSPA) on 7 December 2016 in the PSPA Meeting Room, Prospect House, Douglas

Present: PSPA

Hon C C Thomas, MHK (Vice Chairman)
Mr D J Ashford
Ms A B Moffatt
Mr E R Holmes

In Attendance: Mr I W C Burnett, (Secretary)

Mr I T Murray
Ms K C Brondon

Apologies: Mr J B Carter, (Chairman)

Minute No. Minute

51/16 Conflicts of Interest

Recognising the conflicts previously declared, there were no further conflicts declared.

52/16 Matters Arising

Contracting Out

The Board noted that the Executive had discussed this matter with Treasury Officers, and noted that the precise mechanism for changes to contracting out had yet to be finalised. The Board noted that Treasury intended to consult upon its proposals in the near future and that the PSPA would provide feedback as part of that exercise.

The Board considered that communication was critical in that Pension Scheme Members needed to understand the implications of any changes to contracting out. The Board noted that changes to contracting out were to be included in the statement, to be made on 7 January 2017, regarding the 'Programme for Government'.

The Board requested that it be kept apprised of any further developments in relation to contracting out.

53/16 Risk Register Review

The Board considered and noted the contents of the Risk Register.

The Board requested that risks associated with 'Contracting Out' and 'Freedom of Information' be added to the risk register.

54/16 Public Sector Schemes - Reports and Accounts 2015/16

The PSPA's Finance Manager joined the meeting.

The Board consider a memorandum dated 29 November 2016 and supporting documentation regarding the draft audited Reports and Accounts for the Public Sector Pension Schemes, for which the Public

Sector Pensions Authority holds responsibility, for the year ending 31 March 2016.

The Board considered the Letter of Representation, for issue to PWC, and after due consideration the Board agreed it should be signed by the Chairman and Mr Holmes on behalf of the Board, as they were the only two individuals' who had been Board Members throughout the entirety of the Financial Year.

The Board considered the draft Audited Report and Accounts for each Scheme. It was confirmed that the Accounts had been completed in accordance with the FRS 102 methodology, and that they were unqualified accounts.

It was confirmed that as the Public Sector Pensions Reserve Fund did not fall under the management of the PSPA, it was therefore not included in the PSPA's audited Accounts.

The Board noted the Completion Report submitted by PWC and the potential risk issues identified in the Report. The Finance Manager outlined the work that had been carried out in completing the audit, and the background to the risks identified. The Board considered that the issues were not material to the operation of the PSPA or the signing of the Reports.

Ian Clague and Simon Foster of PWC Joined the meeting.

PWC informed the Board that the auditing process had gone well.

PWC summarised the findings of the Completion Report and ran through a number of the key points within it, in particular relating to the funding of the Schemes, the status of Injury and Compensation Schemes in relation to the Pension Scheme Accounts and cross Financial Year Payments. PWC did not consider that these were material in nature.

After due consideration the Board accepted the Report.

The Board sought clarification as to whether there was any difference in approach or methodology between PWC and KPMG, who carried out the audit of the Government Accounts. PWC considered that fundamental approach of both organisations was the same.

The Board considered and after due consideration approved the draft Annual Report and Audited Accounts for each Scheme and it was agreed each set of Reports and Audited Accounts would be signed by the Chairman and Mr Holmes and once completed, would be forwarded to PWC to sign.

Ian Clague, Simon Foster and the PSPA Finance Manager left the meeting.

55/16

Public Sector Pensions Reform

Unified Scheme

The Board considered a copy of the letter, dated 30 November 2016, received from the Committee of the Trade Unions regarding the PSPA's proposals for pensions reform.

The Executive outlined the feedback that it had received directly from Scheme Members and that it showed Members preferred a straight

forward reduction to future benefits of 6% as opposed to anything more complex in order to achieve future cost savings.

The Executive asked as to whether any consideration had been given to introducing normal retirement age being aligned with State Pension Age, as this had been one of the recommendations by the independent actuary when proposals were being considered.

The Board considered that such a change would need to be done in conjunction with any changes to contractual retirement age in employees' Terms and Conditions of employment, and if this matter were to be included in these reforms it may delay their implementation and the subsequent submission of amending legislation to the February sitting of Tynwald. Given that the timescales were already tight, the Board agreed that aligning normal retirement age to state pension age should not be taken forward in these reforms and proposals should be considered further and included in the future briefing documentation to be submitted for consideration by the Board regarding cost sharing within Public Sector Pension Schemes.

The Board considered as to whether Members could pay more to protect higher benefits. The Board noted that as a mechanism (AVC's) already existed within the Unified Scheme to enable Members to increase their benefits, it therefore declined the request. It considered that Scheme Members may not be aware that this facility was available, and therefore requested that awareness be raised.

The Board noted that the changes to the accrual rates applied to Section 1-7, and that accrual rates for Section 8 (Tynwald) Members had already been applied in the amendments made to the Unified Scheme earlier in the year.

The Board considered the position of Scheme Members whose employment functions were transferred to external organisations outside of Government. It noted that the PSPA had previously put in place the legislation to enable such individuals and/or employment groups to remain within the Unified Scheme, if that is what was agreed between the Government and the external organisation during contract negotiations. It was noted that the PSPA had no influence on whether members should remain in their Scheme as part of such negotiations.

The Board noted that the Executive would be issuing benefit statements to Scheme Members in February 2017 and that these would show the benefits accrued to March 2016, and not projections for future benefits as such projections would be subject to the approval of the Scheme of Amendment at the February 2017 sitting of Tynwald.

After due consideration the Board agreed that a period of consultation on the draft regulations should commence at the earliest opportunity and be completed in good time for the Scheme to be considered by the Board and submitted to the February 2017 sitting of Tynwald.

Teachers' Pension Scheme

Minute to be published in the Future.

Date of Next Meeting

It was agreed that a short meeting would be held following the close of consultation on 6 January 2017, and the next Scheduled meeting would be held on 16 January 2017 at 10.00 am.

There being no other business the meeting closed at 12.10 pm