

In Confidence

Minutes of a meeting of the Public Sector Pensions Authority (PSPA) on 26 April 2017 in the PSPA Meeting Room, Prospect House, Douglas

Present: PSPA

Mr J B Carter, (Chairman)

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:

Minute No. Minute

22/17 Conflicts of Interest

There were no Conflicts of Interest declared in addition to those previously recorded.

23/17 Isle of Man Government Unified Scheme 2011 (GUS) – cost sharing

The Board considered the memorandum, dated 24 April 2017, from the Chief Executive concerning the cost sharing mechanism within the Isle of Man Unified Scheme 2011.

The Board agreed that three key areas required further discussion, namely:

- (i). any scheme changes required to be made as a consequence of a valuation should be implemented via an adjustment to the accrual rate and not contribution increases;
- (ii). an Employer Cost Cap and consequent "2% buffer" should be set; and
- (iii). Cost Sharing should only include the cost of future service benefits.

The Board agreed that the other aspects relating to cost sharing, as set out in the memorandum were on the whole agreed.

In relation to the three areas, it was considered that as the assumptions for cost sharing had previously been approved by Treasury and the Council of Ministers, any change in the PSPA's position would need to be approved by Treasury and COMIN. It was also noted that the current basis of Cost Sharing had been approved by Tynwald and was contained within the current GUS Rules, which had been approved as part of the implementation of GUS.

The Executive did not consider that item (i) would presented too many difficulties if implemented. In relation to item (ii) whilst the Executive did

not consider it would present too many problems, it did consider that a communication exercise would need to be carried with Scheme Members as this would be a significant change to the Cost Sharing provisions within the current Unified Scheme Rules. In addition it would need to be communicated carefully to Members of Tynwald so that it was not perceived as being overly favourable to GUS members compared with the current basis in the Rules.

In relation to the third item, the Executive raised its concern, namely that it could be viewed as placing a significant restriction upon the effectiveness of the cost sharing mechanism, and would thereby be open to challenge by Political Representatives and that only looking at Future Service was at odds with the cost sharing mechanism in UK Public Sector Pension Schemes as these took account of both future and past service. The Executive also commented that not including past service would effectively prolong the legacy issue rather than crystallising it from the date of the GUS reforms, which might then impact upon how Treasury and Tynwald viewed any sharing of responsibilities for meeting the cost of the legacy position.

A view was also expressed that the Trade Unions had previously set out their stated position, which was that any cost sharing mechanism was to take account of future service only, and that it had conducted its ballot upon the recent reforms based on this principle. Therefore changing the position to include all service would not be viewed favourably by GUS members.

The Executive considered that this was not the position which had been set out by the Trade Unions as part of its Cost Sharing Principles paper.

After further discussion it was agreed that the Executive and the Pension Officers from the Trade Unions should meet to discuss this matter further, supported by the PSPA's actuaries, with a view to finding a compromise position particularly on item three, and therefore a way forward for consideration by the PSPA Board.

It was agreed that a meeting should be arranged in the near future and that proposals should be brought forward for consideration by the PSPA with a view to submitting final proposals for consideration by Tynwald at its November 2017 sitting.

Date of Next Meeting

The next meeting will be held on 15 May commencing at 10.00.

There being no other business the meeting closed at 17.30 a.m.

Date